

Gladowsky Capital Management, Corp. Part 2A Appendix 1 of Form ADV Wrap Fee Program Brochure

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This wrap fee program brochure provides information about the qualifications and business practices of Gladowsky Capital Management, Corp (“GCMC” or “the Company”). If you have any questions about the contents of this brochure, please contact us at 631-360-7200. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about GCMC also is available on the SEC’s website at www.adviserinfo.sec.gov.

Material Changes

Gladowsky Capital Management's most recent update to its wrap fee brochure was made in March 2011. GCMC's business activities have not changed materially since the time of that update and GCMC has not made any material changes to this document.

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Services, Fees and Compensation

GCMC is an investment adviser registered with the U.S. Securities and Exchange Commission ("SEC") and is dually registered as a securities broker-dealer. Registration as an investment adviser with the SEC does not imply a certain level of skill or training. GCMC's advisory clients participate in the Wrap Fee Program (the "Program") described in this disclosure document. GCMC has brokerage customers, but they do not participate in the Program. However, some advisory clients may also have a separate brokerage relationship with GCMC but their brokerage accounts do not participate in Program.

GCMC assists clients in allocating their assets to unaffiliated investment managers ("Investment Managers") through the Program, for which GCMC serves as the sponsor. GCMC specializes in helping clients (1) identify acceptable risk tolerances and investment objectives, and (2) select suitable investment managers to help meet those objectives. Investment manager selection includes initial manager due diligence, performance reporting and account monitoring, ongoing manager due diligence, and continuous client consultation.

Authority is granted to the Investment Managers to determine, without obtaining specific client consent, the securities to be bought or sold and the amount of securities to be bought or sold within client account(s), subject to restrictions imposed by the client. The unaffiliated custodian used by the Program, Pershing, LLC, does not have discretionary authority over client assets. Transactions are submitted by the Investment Manager directly to the Pershing, LLC trading desk with no intervention from GCMC.

GCMC interacts with wrap fee advisory clients on a non-discretionary basis, meaning GCMC recommends allocations to third-party investment managers, but must gain consent from clients prior to facilitating or implementing such recommendations. GCMC does not have discretionary authority to determine the securities to be bought or sold, the amount of the securities to be

bought or sold, the broker or dealer to be used, or the commission rates to be paid for any of its advisory clients. In addition, GCMC does not recommend brokers to clients.

GCMC offers the services described herein to clients including, but not limited to, individuals, high net worth individuals, trusts, estates, charitable organizations, corporations or other business entities, and pension plans. These clients can choose from an array of services based upon their particular needs. The Program's services include:

- Identifying each client's risk tolerance, investment objectives, and any applicable account restrictions in order to develop an acceptable investment policy;¹
- Developing an asset allocation strategy based upon analysis of the investment policy;
- Conducting a rigorous due diligence of each recommended Investment Manager;
- Identifying prospective Investment Managers for each style indicated by the asset allocation strategy;
- Assisting in the selection of Investment Managers;
- Overseeing account opening, securities transfer, and all other administrative activities;
- Providing for custody by an independent, third-party custodian through GCMC's relationship with Pershing, LLC, which provides recordkeeping services, safekeeping of client funds and securities, and written confirmation of all account activity;
- Brokerage execution generally through Pershing, LLC's trading desk;
- Professional portfolio management by unaffiliated Investment Managers; and
- Performing due diligence on Investment Managers on an ongoing basis.

Fees are negotiable depending upon factors such as the account size, the number of Investment Managers initially selected and monitored on an ongoing basis, and the overall complexity of each client's financial situation, investment objectives, restrictions, and any other circumstances particular to each client. Wrap fees typically range from 0.80% to 3.0% of assets under management, depending on the Investment Managers selected and their willingness to negotiate fees. Of the total percentage, the Investment Managers generally receive 35 – 65 basis points and Pershing, LLC and/or its Lockwood division generally receives 27 basis points for providing custody, trading, reporting services, etc. GCMC generally receives the remainder. Fees are billed quarterly, in advance, based upon the market value of the assets under management, including accrued interest, as of the last day of the prior calendar quarter. Pershing, LLC is used for execution purposes and commission rates for transactions are embedded in the total wrap fee, which is based on a percentage of each client's assets under management, provided the transactions are executed through Pershing, LLC. In other words, clients do not pay commissions separately, on a transaction-by-transaction basis when transactions are executed using Pershing, LLC's trading desk.

¹ Clients must promptly contact GCMC if any of the information they initially provide changes so that GCMC can review their asset allocation and the Investment Managers chosen and make any adjustments that may be necessary.

The Investment Managers provide various management styles and strategies and will typically receive fees in the form of a percentage of the wrap fees charged to GCMC's clients based on their level of assets, and the amount of wrap fees will be negotiated at the commencement of the Program. The Investment Managers use fixed income, equity, or a combination of fixed income and equity securities. With respect to equity, the Investment Managers generally recommend stocks or exchange traded funds. Portfolios are either long only or balanced and include domestic and international positions, may emphasize small-, medium-, large-, and all-cap positions, and may span growth, value, and core investment strategies. With respect to fixed income, Investment Managers may use US government, government agency, and corporate bond positions. Investment Managers generally endeavor to maintain cash levels to a minimum, when this is deemed to serve the best interest of clients. Finally, GCMC reserves the right to select other types of Investment Managers that employ other strategies/styles, if deemed suitable for clients based on their investment objectives, guidelines, and restrictions.

GCMC's services through the Program (investment advice, brokerage, and other services) may cost more or less than what clients would pay for purchasing the services separately. The factors that bear on the relative cost of the Program include the cost of the services if provided separately and the amount of trading activity in the client's account. To the extent that the client pays more for a bundled fee than it would by purchasing the services separately, this may create a possible financial incentive for GCMC to recommend the Program over other available programs or services (such as a brokerage account with no advisory services).

GCMC generally recognizes client terminations upon receipt of written notice from clients. Terminating clients should note that it generally takes up to 3 – 5 business days to liquidate positions, if such clients instruct GCMC to do so. If the client chooses to terminate from the Program, the client may receive a pro-rated refund of the fee based on the net asset value of the client's investments at the time of termination and the number of days remaining in the fee billing period. However, if an account is closed by a client prior to completion of four full calendar quarters the client may be assessed an early closing fee of the lesser of one additional quarterly fee or \$2000 in addition to any pre-paid quarterly fee, in order to cover the administrative cost of establishing wrap fee program accounts. Similarly, if withdrawals bring a client's account value below a particular Investment Manager's required minimum, GCMC reserves the right to terminate the agreement with the client and assess the aforementioned early closing fee.

Other Services

GCMC also serves as the broker of record for certain 401(k) plans and in this capacity reviews the options available to participants (generally mutual funds) and provides recommendations to participants upon their request with respect to which options to select. GCMC does not implement any of its recommendations; rather, the participants review the recommendations and decide whether to implement on their own. In providing such recommendations, GCMC receives compensation bi-monthly based on a percentage of the net asset value of the plan. The percentage charged varies based on negotiations with each plan.

Account Requirements and Types of Clients

As described above, GCMC offers the services described herein to clients including, but not limited to, individuals, high net worth individuals, trusts, estates, charitable organizations, corporations or other business entities, and pension plans. These clients can choose from an array of services based upon their particular needs.

GCMC does not specify a minimum investment amount to participate in the Program. However, Investment Managers generally require a minimum account size of \$50,000 - \$300,000, subject to any exceptions granted by particular Investment Managers. GCMC and/or the Investment Managers reserve the right to terminate any account falling below the minimum account size. Minimum account sizes for the various Investment Managers used in the Program vary and are subject to negotiation with the particular Investment Managers selected for each client. The Program allows clients to obtain portfolio management services that may have higher minimum account sizes outside of the Program.

Portfolio Manager Selection and Evaluation

GCMC will work with each client to develop an appropriate selection of Investment Manager(s) that GCMC believes best meet(s) the client's goals and investment objectives, and will assist clients in the appropriate selection of Investment Managers in line with the recommended asset allocation. Recommendations are based in part upon the information gathered in developing an investment policy for the client. GCMC will review the client's investment objectives and goals, net worth, current income, future income needs, liquidity needs, risk tolerances, tax considerations, and other specific items communicated by the client (collectively, "Investment Considerations"). Then the portfolio's current investment structure is reviewed by GCMC. An assessment is made based upon economic and market conditions and the Investment Considerations. A recommendation as to the client's appropriate asset mix may be developed based on GCMC's assessment of the information provided by the client. In order for GCMC to properly monitor the asset allocation and Investment Managers selected, clients must promptly inform GCMC in writing if their information changes.

Various Investment Manager styles and strategies are made available to clients. Investment Managers are selected through a detailed assessment of their investment philosophy, style, and methodology. Investment Managers will be assessed and chosen independently by GCMC in accordance with the criteria herein. Please note that no related persons² of GCMC currently act as Investment Managers for the Program.

The unaffiliated Investment Managers chosen must, among other things, meet the following criteria:

² Related Person: Any Advisory Affiliate and any person that is under common control with GCMC. Advisory Affiliate: GCMC's Advisory Affiliates are (1) all of GCMC's officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling or controlled by GCMC; and (3) all of GCMC's current employees (other than employees performing only clerical, administrative, support or similar functions).

- specifically stated goals;
- identifiable and consistent investment strategies;
- minimum five-year track record; and
- appropriate level of assets under management (at least \$100 million).

After the above parameters have been satisfied, the review continues and includes, but is not limited to, conducting a general review of the organization (history, ownership, employees, etc.), gaining an understanding of the Investment Manager's critical portfolio management and trading procedures, and reviewing the Investment Manager's Form ADV, Part 1A, 2A and 2B disclosures. GCMC further attempts to determine each Investment Manager's overall compliance with industry standards in areas such as operations, marketing, and client support services. GCMC reviews the standard marketing materials of each Investment Manager, reviews the Investment Manager's growth characteristics in terms of assets under management and number of clients and accounts, and inquires as to each Investment Manager's compliance history. These areas are reviewed at a high level to determine whether any potential concerns exist and any follow-up questions or reviews are necessary.

GCMC conducts a performance review of the returns generated by the Investment Manager and how these returns compared to an appropriate industry accepted benchmark. As part of this review, GCMC will note the variance in returns over time, the annualized performance returns from inception to present, and any outlying yearly returns (highly positive or negative versus the benchmark) in an attempt to understand what has driven performance for each Investment Manager. GCMC may also consider how the growth or contraction of the assets under management of each Investment Manager appears to have impacted performance returns. Finally, GCMC may compare the Investment Manager's performance versus its peers and/or an appropriate benchmark. Clients must note that not all Investment Managers calculate and report performance on a uniform or consistent basis. Although GCMC attempts to understand the basis for these numbers, GCMC does not review, or compensate any third parties to review, performance information to verify its accuracy or its compliance with presentation standards.

In addition, ongoing Investment Manager reviews are also a part of the Program. Periodic visits and/or conference calls are made to each of the Investment Managers for an updated review of the Investment Managers and their performance.

Replacement Investment Managers may be recommended for various reasons such as, among other things, portfolio management inconsistent with an Investment Manager's stated style and philosophy, significant performance variances from the stated benchmark over a market cycle, a departure of a key employee from an Investment Manager who was integral to the Investment Manager's performance record, and/or serious regulatory problems or compliance issues.

Types of Investments

Within the Program, accounts are managed primarily pursuant to investment strategies that employ equity, fixed income, or a combination of equity and fixed income securities. A list of the Investment Managers currently available through the Program is available under separate cover, upon request.

In addition, various Investment Manager styles and strategies are made available to clients. Investment Managers are selected through a detailed assessment of their investment philosophy, style, and methodology. All Investment Managers will be assessed and chosen independently by GCMC in accordance with the criteria herein. Each Investment Manager's performance will be reviewed by GCMC, as described above.

Client Information Provided to Portfolio Managers

For each Program account, an investment management agreement is signed between the client and the Investment Manager, which outlines the terms by which the client's portfolio is to be managed. Attached to the investment management agreement is a statement of investment objectives, which outlines the client's investment policy.

Additional information gathered by GCMC in the process of developing an investment policy and/or asset allocation for the client (the client's Investment Considerations) will be forwarded to the selected Investment Manager(s). If the client communicates to GCMC that the client wishes to make a change in the investment policy or update the Investment Considerations, this information will be promptly communicated to the selected Investment Manager(s).

Client Contact with Portfolio Managers

Clients are encouraged communicate with GCMC with respect to their asset allocation and the Investment Managers selected, and are not prohibited from communicating directly with the Investment Manager about their portfolio(s).

Additional Information

Disciplinary Information

GCMC and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

Other Financial Industry Activities and Affiliations

GCMC is registered and actively engaged as a securities broker-dealer. As such, GCMC, its employees, and its owners perform, among other things, brokerage services for advisory clients who separately are brokerage customers of GCMC and have thus have separate brokerage accounts. In addition, GCMC may provide brokerage services for customers who are not separately advisory clients of GCMC. Employees will devote about half their time to broker-dealer related activities. GCMC, its employees, and its officers may give advice and take action in the performance of their duties to clients which may differ from the advice given, or the timing and nature of action taken, with respect to other clients depending on the particular facts and circumstances.

GCMC, as a dually-registered investment adviser and broker-dealer, has both investment advisory relationships and brokerage relationships. Certain persons/entities may have both advisory accounts and brokerage accounts. Unless otherwise specified herein, the term “clients” is used to refer to advisory clients and their advisory accounts. Other persons/entities may only have advisory accounts or only have brokerage accounts. The capacity in which GCMC acts is governed by written contracts between GCMC and such persons/entities and/or the account opening forms executed by such persons/entities. In addition, supplemental verbal discussions and written disclosures provide additional clarity in this respect.

GCMC’s three management persons, Barry Gladowsky, Elliot Gladowsky, and Jason Gladowsky are registered as registered representatives of GCMC. In addition, GCMC is licensed as an insurance broker and one of its employees serves as an insurance agent and in this capacity sells certain life and health insurance products. Certain advisory clients and brokerage customers may purchase insurance products through GCMC, but are under no obligation to do so. As a result, GCMC and/or one of its employees may earn commission revenue by selling insurance to advisory clients and brokerage customers. The revenue earned from insurance sales is completely separate and distinct from the fees charged by GCMC to provide investment advisory services to its advisory clients and brokerage services to its brokerage customers.

In addition, Gladowsky & Co., an accounting firm under common control with GCMC, may refer potential clients to GCMC (and vice versa). Neither Gladowsky & Co. nor GCMC receive compensation for such referrals. However, GCMC and Gladowsky & Co. may be predisposed to referring each other business as opposed to referring potential clients to third-parties that may offer similar services on either more or less favorable terms. GCMC attempts to address this conflict through this disclosure, so prospective clients are fully informed when they make their decision to become clients or not become clients of GCMC and Gladowsky & Co.

Finally, The Law Firm of Alison Gladowsky is owned and operated by Alison Deblinger, who also serves as an employee of GCMC. This law firm may refer potential clients to GCMC (and vice versa). However, GCMC and The Law Firm of Alison Gladowsky may be predisposed to referring each other business as opposed to referring potential clients to third-parties that may offer similar services on either more or less favorable terms. Neither the law firm nor GCMC receives compensation for such referrals. GCMC attempts to address this conflict through this disclosure, so prospective clients are fully informed when they make their decision to become clients or not become clients of GCMC and The Law Firm of Alison Gladowsky.

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

Code of Ethics

GCMC's Code of Ethics (the “Code”) establishes rules of conduct for all its employees and is designed to, among other things, govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that GCMC and its employees owe a fiduciary duty to advisory clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with GCMC, and (iii) any actual or potential conflicts

of interest or any abuse of their position of trust and responsibility. GCMC will provide a copy of its Code to any client or prospective client upon request.

Participation or Interest in Client Transactions and Personal Trading

Certain employees of GCMC may invest their personal assets with some of the same third-party Investment Managers recommended to wrap fee advisory clients. GCMC and its employees do not get more favorable terms or otherwise receive preferential treatment with respect to their personal investments with Investment Managers. In addition, neither GCMC nor any of its employees hold an ownership stake in any of the Investment Managers recommended to advisory clients. GCMC is not otherwise affiliated with such Investment Managers or obligated to recommend any particular Investment Manager. Rather, GCMC assesses the options and reaches its own independent conclusions as to which Investment Managers it believes will best serve the interests of its advisory clients.

Due to the investments held in their personal accounts and the Investment Managers with which they have accounts, GCMC's employees may invest in the same securities (or related securities such as options) that GCMC recommends to clients. Employee trades in such securities could occur at or about the same time as client trades.

Allowing employees to trade in the same securities as clients presents various potential conflicts of interest. For example, employees could theoretically attempt to time their personal trades to benefit from any potential impact client trades might have on the price of a security or otherwise attempt to obtain a more favorable purchase, sale, short, or cover price than clients obtain. In addition, employees and clients could potentially take opposing positions (i.e., an employee account takes a long position when a client account takes a short position, or vice versa) and thus the employee could potentially experience a conflict between acting in his/her own best interest versus the client's best interest. Finally, employees could devote excessive time/use limited resources towards managing their personal trading accounts and thus neglect client accounts. The Chief Compliance Officer ("CCO") provides employees with a copy of GCMC's Code, which governs personal trading and other related matters, and employees must sign an acknowledgement receipt of the Code. In addition, the CCO monitors employees' personal securities transactions to ensure that employees do not engage in improper personal securities transactions and to otherwise detect and prevent potential conflicts of interest.

Review of Accounts

Reviewers

GCMC's senior management personnel (the "Reviewers") are responsible for reviewing all of the Company's wrap fee accounts. Reviewers include the Chairman, Mr. Elliot Gladowsky, the Chief Financial Officer, Mr. Barry Gladowsky, and the President/CCO, Mr. Jason Gladowsky. Each Reviewer is assigned approximately one-third of the Company's wrap fee accounts.

Reviews

GCMC has developed the following reviews to help the Reviewers identify and try to prevent securities transactions that could put a client's investment at risk of large losses. These procedures are to be followed by the Reviewer assigned to the account.

Trade suitability is primarily the responsibility of the person placing the trade, usually the third-party Investment Manager. However, Reviewers generally review each trade within 24 hours of the trade being placed. The Reviewers will question trades in any security that they do not understand or which seem "questionable" in light of the client's objectives or the strategy being followed by the Investment Manager. Significant macro-level developments, newsworthy events associated with particular Investment Managers or significant securities positions within client accounts, and other circumstances may cause GCMC to review client accounts to determine whether any changes or other action would be prudent.

The Reviewers will monitor client accounts approximately quarterly to detect, among other things, significant security and industry concentrations, securities that have significantly declined in price from quarter to quarter, and securities that have significantly declined from the original cost basis. In addition, the Reviewers generally have discussions with each Investment Manager on an approximately quarterly basis to review trading activity and performance to discuss specific trades, the reasoning behind trading activity, and the Investment Manager's outlook for next quarter.

No less than annually, the Reviewers are responsible for ensuring that client objectives are current and that client accounts are being invested with each client's specific goals and objectives in mind. Items to be reviewed may include asset allocation, frequency of trades, and the structure and makeup of the client's portfolio in light of objectives and income requirements. Other items may include asset class diversification, risk profile of the portfolio, client objectives, and performance versus a comparable benchmark. If warranted, the in-depth review would include a discussion with the Investment Manager and the client.

Reports

GCMC, through the Program custodian, Pershing, LLC, utilizes a state of the art reporting system. Clients receive a quarterly report that includes portfolio analysis and portfolio performance with charts and graphs. The reports are generated independently of the Investment Manager following the quarters ending March, June, September and December. Additionally, clients are provided trade confirmations and monthly brokerage statements from the custodian.

Client Referrals and Other Compensation

Client Referrals

Please see the "Other Financial Industry Activities and Affiliations" section above for information about client referrals between GCMC, Gladowsky & Co., and The Law Firm of Alison Gladowsky.

Other Compensation

Cash awaiting reinvestment may be placed by the Investment Managers recommended by GCMC in money market funds, which incur their own management expenses, distribution fees, and other fees as described in the applicable prospectus. Typically, such money market fund balances represent a very small percentage of clients' total assets under management. If the Investment Managers recommended by GCMC use mutual funds such as money market funds, clients may incur two layers of fees: (1) the portion of the total wrap fee attributable to GCMC's and the Investment Managers' advisory fees, and (2) the advisory and any other fees assessed by the mutual funds recommended by the Investment Managers.

GCMC does not expect the fees attributable to money market fund investments to represent a material portion of the overall fees incurred by its advisory clients. However, GCMC may receive, through its relationship with Pershing, LLC, 12b-1 fees for client balances held in various money market funds.

To the extent that the Investment managers purchase such securities on behalf of GCMC's advisory clients, GCMC will thus benefit financially. This may present a conflict of interest; however, GCMC is aware of the fiduciary duty owed to its advisory clients and does not attempt to influence the decisions of the Investment Managers in order to benefit GCMC through the receipt of 12b-1 fees. GCMC attempts to mitigate this conflict of interest through this disclosure and through its reviews of client accounts, which serve the purpose of, among other things, confirming that the Investment Managers chosen to manage client accounts appear reasonable in light of each client's investment objectives and the investment strategies and trading activity employed by the selected Investment Managers.

Financial Information

GCMC has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.