



## **Firm Brochure**

(Part 2A of Form ADV)

**4105 Lexington Avenue, Suite 380**

**Arden Hills, MN 55126**

**PHONE: (866) 991-1539**

**FAX: (651) 379-8040**

**WEBSITE [www.gradientsecurities.com](http://www.gradientsecurities.com)**

**EMAIL: [info@gradientsecurities.com](mailto:info@gradientsecurities.com)**

This brochure provides information about the qualifications and business practices of Gradient Securities, LLC. If you have any questions about the contents of this brochure, please contact us at: 866-991-1539, or by email at: [info@gradientsecurities.com](mailto:info@gradientsecurities.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 Gradient Securities, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**April 30, 2015**

## **Item 2: Material Changes**

### **Annual Update**

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Firm Brochure.

### **Material Changes since the Last Update**

The Registered Investment Advisor, Gradient Securities, LLC (doing business as Gradient Wealth Management), became effective in 2015. The following updates have been made to this brochure document since the last update of January 23, 2015:

- Assets Under Management (AUM) were updated as of April 30, 2015; and
- Initial filing of wrap fee programs sponsored by unaffiliated investment advisory firms.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (866) 991-1539 or by email at: [info@gradientsecurities.com](mailto:info@gradientsecurities.com).

## Item 3: Table of Contents

<b>Items 1 &amp; 2: Cover Page</b>	
Annual Update.....	ii
Material Changes since the Last Update .....	ii
Full Brochure Available.....	ii
<b>Item 3: Table of Contents</b> .....	<b>iii</b>
<b>Item 4: Advisory Business</b> .....	<b>1</b>
Firm Description .....	1
Types of Advisory Services.....	1
Client Tailored Services and Client Imposed Restrictions .....	1
Wrap Fee Programs.....	1
Client Assets under Management .....	1
<b>Item 5: Fees and Compensation</b> .....	<b>1</b>
Method of Compensation and Fee Schedule.....	1
Client Payment of Fees.....	2
Additional Client Fees Charged.....	2
Prepayment of Client Fees.....	2
External Compensation for the Sale of Securities and Non-Securities Products to Clients.....	2
<b>Item 6: Performance-Based Fees</b> .....	<b>2</b>
Sharing of Capital Gains.....	2
<b>Item 7: Types of Clients</b> .....	<b>2</b>
Description .....	2
Account Minimums .....	2
<b>Item 8: Methods of Analysis, Investment Strategies and Risk of Loss</b> .....	<b>2</b>
Methods of Analysis .....	2
Investment Strategy .....	3
Security-Specific Material Risks .....	3
<b>Item 9: Disciplinary Information</b> .....	<b>3</b>
Criminal or Civil Actions.....	3
Administrative Enforcement Proceedings .....	3
Self-Regulatory Organization Enforcement Proceedings.....	3
<b>Item 10: Other Financial Industry Activities and Affiliations</b> .....	<b>3</b>
Broker-Dealer or Representative Registration.....	3
Futures or Commodity Registration .....	3
Material Relationships Maintained by this Advisory Business and Conflicts of Interest.....	3
Recommendations or Selections of Other Investment Advisors and Conflicts of Interest .....	3
<b>Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading</b> .....	<b>4</b>
Code of Ethics Description.....	4
Investment Recommendations Involving a Material Financial Interest and Conflict of Interest .....	4
Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest .....	4
Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest .....	4
<b>Item 12: Brokerage Practices</b> .....	<b>4</b>
Factors Used to Select Broker-Dealers for Client Transactions.....	4
Aggregating Securities Transactions for Client Accounts.....	5
<b>Item 13: Review of Accounts</b> .....	<b>5</b>
Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved.....	5
Review of Client Accounts on Non-Periodic Basis.....	5
Content of Client Provided Reports and Frequency .....	5
<b>Item 14: Client Referrals and Other Compensation</b> .....	<b>5</b>
Economic benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest .....	5
Advisory Firm Payments for Client Referrals .....	5
<b>Item 15: Custody</b> .....	<b>5</b>
Account Statements .....	5
<b>Item 16: Investment Discretion</b> .....	<b>5</b>
Discretionary Authority for Trading .....	5
<b>Item 17: Voting Client Securities</b> .....	<b>5</b>
Proxy Votes .....	5
<b>Item 18: Financial Information</b> .....	<b>5</b>
Balance Sheet .....	5
Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients.....	5
Bankruptcy Petitions during the Past Ten Years .....	5
<b>Brochure Supplement (Part 2B of Form ADV)</b> .....	<b>5</b>
Executive Officers and Management Brochure .....	5
Tami Lucius, Founder and CEO.....	5
Jeffrey Foley CFP®, CLTC, MSM - Elected Manager.....	6
Klaus Siepmann - Chief Compliance Officer .....	7



## Form ADV – Part 2A – Firm Brochure

### Item 4: Advisory Business

#### Firm Description

Gradient Securities, LLC, doing business as Gradient Wealth Management, was formed on April 9, 2003. On January 2, 2004, Gradient Securities, LLC, became a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA") as an independent broker-dealer. The Registered Investment Advisor's ("RIA") became effective with the SEC in 2015. The RIA division of Gradient Securities, LLC does business as Gradient Wealth Management ("GWM"). Tami J. Lucius is a 90% owner and Jeffrey A. Foley is a 10% owner.

#### Types of Advisory Services

##### Financial Planning

A financial plan is designed to help the client with all aspects of their financial situation. The financial plan may include, but is not limited to: a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; strategic tax planning; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Detailed investment advice and specific recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

Investment Advisor Representatives of GWM may charge clients for financial planning on an hourly or negotiable fixed fee basis described in detail in Item 5 of this brochure.

##### Solicitor Arrangements

Advisor solicits the services of Third Party Money Managers ("TPM") to manage client accounts. In such circumstances, Advisor receives solicitor fees from the Third Party Manager. Advisor acts as the liaison between the client and the TPM in return for an ongoing portion of the advisory fees charged by the TPM. Advisor helps the client complete the necessary paperwork of the TPM, provides ongoing services to the client, will provide the TPM with any changes in client status as provide to Advisor by the client and review the quarterly statements provided by the TPM. Advisor will deliver the Form ADV Part 2, Privacy Notice and Solicitors Disclosure Statement of the TPM. Clients placed with TPMs will be billed in accordance with the TPM's Fee Schedule which will be disclosed to the client prior to signing an agreement. This is detailed in Item 10 of this brochure.

##### Investment Accounts Involving Supervisory Services (Asset Management Services)

GWM offers discretionary direct asset management services to advisory clients. GWM will offer clients ongoing portfolio management services through determining individual investment goals, time horizons, objectives, and risk tolerance. Investment strategies, investment selection, asset allocation, portfolio monitoring and the overall investment program will be based on the above factors. The client will authorize GWM discretionary authority to execute selected investment program transactions as stated in the Investment Advisory Agreement.

When deemed appropriate for the client, GWM may hire Sub-Advisors to manage all or a portion of the client assets. GWM will have the discretion to hire and fire the individual sub-advisors.

##### Investment Accounts not Involving Supervisory Services

GWM will assist in the opening, closing and transferring of accounts. An administrative fee of 0.60% annually may be charged on a quarterly

basis in arrears for all accounts that are maintained and held by GWM. GWM will not have discretion at any time on these accounts.

#### Client Tailored Services and Client Imposed Restrictions

The goals and objectives for each client are documented in our client relationship management system. Investment policy statements are created that reflect the stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without written client consent.

#### Wrap Fee Programs

GWM does not sponsor any wrap fee programs. GWM may utilize the wrap fee programs sponsored by unaffiliated investment advisory firms whereas GWM does not act as a portfolio manager. More details will be described in the Sponsor's Appendix which will be provided to the client if the client is placed in a wrap fee program.

#### Client Assets under Management

As of April 30, 2015, GWM had approximately \$856,838 assets under management on a discretionary basis; the majority of GWM's assets under management are managed by third-party money managers.

### Item 5: Fees and Compensation

#### Method of Compensation and Fee Schedule

GWM receives solicitor fees from third party money managers and fixed or hourly fees for financial planning.

##### Financial Planning

Prior to the planning process the client will be provided an estimated plan fee. Services include but are not limited to a thorough review of all applicable topics including Wills, Estate Plan/Trusts, Investments, Taxes, and Insurance. GWM allows two options for the payment of financial planning fees, selection of which is at the discretion of the advisor: 1) Payments may be made in two installments; half at the commencement of the planning process and final payment due upon delivery of the completed plan. 2) Full payment may be made in advance. In the case of full payment, GA will deliver plans within six months of the date of the planning agreement. Client may cancel within five business days of signing the Investment Advisory Agreement for a full refund. If cancellation occurs after five business days, client will be entitled to a pro-rata refund based on work completed.

##### Fixed Fee

The fee for a financial plan is based on a negotiated fixed fee basis based on complexity and unique client needs, geographic market differences and the experience of the advisor preparing the plan.

##### Hourly Fee

GWM provides hourly planning services for clients who need advice on a limited scope of work. The hourly rate for limited scope engagements ranges between \$50-200 per hour, dependent upon the services requested and the complexity of the plan. Advance hourly payments are refundable based on the pro-rata work completed.

##### Solicitor Fees

GWM and its associated persons may be paid a portion of the fee charged and collected by the third-party investment advisors in the form of solicitor fees or consulting fees. GWM's fees are negotiable depending on the size, complexity of the client's account(s), the experience and training of the Advisor and other business considerations. A complete description of the third-party investment advisor's services, fee schedules and account minimums will be disclosed in the third party investment advisor's Form ADV, Schedule H Disclosure Brochure, or similar Disclosure Brochure.

##### Investment Accounts Involving Supervisory Services (Asset Management Services)

GWM will charge a maximum annual fee of 2.00% based on the assets under management. The fee is negotiable and is based on the money manager selected, the investment advisor representative providing

services, the value of the assets in the account, including cash holdings, and is payable either monthly or quarterly in advance or arrears based on the money manager and will be disclosed to the client in the Investment Advisory Agreement.

For purposes of calculating account fees in advance, the period begins on the first day the account is accepted by the money manager selected. The initial account fee is due at the beginning of the billing period following execution of the Client Agreement and includes a prorated fee for the initial period in addition to the standard monthly or quarterly fee for the upcoming period. Subsequent account fee payments are due and assessed at the beginning of each period based on the value of the assets under management as of the close of business on the last business day of the preceding period.

For purposes of calculating account fees in arrears, the period begins on the first day the account is accepted by the money manager selected by GWM. The initial account fee is due at the end of the billing period following execution of the Client Agreement based on the account balance at the end of the billing cycle. Subsequent account fee payments are due and assessed at the end of each quarter based on the value of the assets under management as of the close of business on the last business day of the preceding period.

Advisory fees will be deducted from the clients' account by the custodian. Clients may terminate their account within five (5) business days of signing the Investment Advisory Agreement for a full refund. Clients may terminate advisory services with thirty (30) days written notice. Client will be entitled to a pro rata refund for the days service was not provided in the final month or quarter. Clients billed in arrears will only be billed for the portion of the period prior to the termination date for which advisory services were provided.

Client shall be given thirty (30) days prior written notice of any increase in fees, and client will acknowledge, in writing, any agreement of increase in said fees.

The investment management fees charged by sub-advisors are exclusive of, and in addition to, GWM's investment advisory fee set forth above. In addition to GWM's written disclosure statement, the client shall also receive the written disclosure statement of the sub-advisor or outside money manager. Clients should review each advisors ADV Part 2 or Terms of Use for additional details regarding services.

#### **Investment Accounts not Involving Supervisory Services**

GWM will assist in the opening, closing and transferring of accounts. An administrative fee of 0.60% annually may be charged on a quarterly basis in arrears for all accounts that are maintained and held by GWM. The administrative fee may be either deducted directly from the customer's account or by requesting a check from the customer. GWM will not have discretion at any time on these accounts.

#### **Wrap Fee Programs**

A wrap fee program is an investment advisory program in which you pay one fee for a bundle of services, such as investment advisory services, transaction costs, custody fees, etc. The fee is bundled with GWM's investment advisory fee. More details will be described in the Sponsor's Appendix which will be provided to the client if the client is placed in a wrap fee program.

#### **Client Payment of Fees**

Fees for Investment Accounts are billed in arrears on a monthly or quarterly basis dependent upon the third-party money manager selected. Billing in arrears means that we bill you after the one-month or three-month period has ended.

#### **Additional Client Fees Charged**

Custodians may charge transaction fees on purchases or sales of certain mutual funds, equities and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a

security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

GWM, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

For more details on the brokerage practices, see Item 12 of this brochure.

#### **Prepayment of Client Fees**

In the case of prepayment of planning fees, the client may cancel within five business days of signing the Investment Advisory Agreement for a full refund. If cancellation occurs after five business days, client will be entitled to a pro-rata refund based on work completed.

#### **External Compensation for the Sale of Securities and Non-Securities Products to Clients**

Gradient Securities is a FINRA registered broker/dealer and may receive external compensation for the sale of securities to clients. Investment advisor representatives of GWM may also be registered with GS as registered representatives and/or an independent insurance agent. The aforementioned relationships create a conflict of interest because investment advisor representatives may receive separate compensation that is normally associated with the sale of securities or non-securities products. In addition, the sale of securities or non-securities products can generate higher compensation over the traditional investments offered through the advisor. This conflict is moderated by the fact that clients are not required to purchase any product and may also purchase these products through any broker-dealer or independent insurance agent of their choosing.

#### **Item 6: Performance-Based Fees**

##### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

GWM does not use a performance-based fee structure because of the conflict of interest. Performance-based compensation can create an incentive for the adviser to recommend an investment that can carry a higher degree of risk to the client.

#### **Item 7: Types of Clients**

##### **Description**

GWM generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations and business entities.

Client relationships vary in scope and length of service.

##### **Account Minimums**

GWM does not require a minimum to open an account. Third-party managed programs generally have account minimum requirements that will vary from investment advisor to investment advisor.

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

##### **Methods of Analysis**

Security analysis methods may include fundamental analysis, technical analysis, and cyclical analysis. Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is not a guarantee of future returns.

Fundamental analysis involves evaluating a stock using real data such as company revenues, earnings, return on equity, and profits margins to determine underlying value and potential growth. Technical analysis involves evaluating securities based on past prices and volume. Cyclical analysis involves analyzing the cycles of the market.

When creating a financial plan, GWM utilizes fundamental analysis to provide a review of insurance policies for economic value and income replacement. Technical analysis is used to review mutual funds and individual stocks. The main sources of information include Morningstar, client documents such as tax returns and insurance policies.

In developing a financial plan for a client, GWM's analysis may include cash flow analysis, investment planning, risk management, tax planning and estate planning. Based on the information gathered, a detailed strategy is tailored to the client's specific situation.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, and filings with the Securities and Exchange Commission.

### Investment Strategy

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement and Risk Tolerance Questionnaire that documents their objectives and their desired investment strategy.

Fundamental analysis may involve interest rate risk, market risk, business risk, and financial risk. Risks involved in technical analysis are inflation risk, reinvestment risk, and market risk. Cyclical analysis involves inflation risk, market risk, and currency risk.

Other strategies may include long-term purchases, short-term purchases, trading, and option writing (including covered options, uncovered options or spreading strategies).

### Security-Specific Material Risks

All investment programs have certain risks that are borne by the investor. Fundamental analysis may involve interest rate, market, business and financial risks. Risks involved in technical analysis are inflation, reinvestment and market risk. Cyclical analysis involves inflation, market and currency risk. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## Item 9: Disciplinary Information

### Criminal or Civil Actions

The firm and its management do not have any criminal or civil actions to report.

### Administrative Enforcement Proceedings

The firm and its management have not been involved in any reportable administrative enforcement proceedings.

### Self-Regulatory Organization Enforcement Proceedings

The firm and its management have not been involved in legal or disciplinary events related to past or present investment clients.

## Item 10: Other Financial Industry Activities and Affiliations

### Broker-Dealer or Representative Registration

GS is also a FINRA registered broker/dealer.

### Futures or Commodity Registration

Neither GWM nor its employees are registered or have an application pending to register as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

### Material Relationships Maintained by this Advisory Business and Conflicts of Interest

Tami Lucius is owner of Gradient Insurance Brokerage, Inc. (GIB), an insurance wholesaling company. Advisors of GWM may also have an outside affiliation through a separate agency (or individually as an agent) for the placement of insurance products. The agency or individual is licensed as an independent contractor of the insurance company and places insurance products directly with the insurance company of their choice. In the event an independent agent elects to partner with the IMO GIB, GIB will be compensated direct from the insurance company. Tami Lucius receives compensation from GIB and therefore a conflict of interest occurs. This conflict is mitigated as independent agents may work with any approved insurance company or IMO, one of which may be GIB. Furthermore, the client has no obligation to do business with the advisor/agent. Tami is owner of Stovall & Associates, LTD (Stovall), a CPA firm. Advisors of GWM may refer clients to Stovall to provide clients with tax services for which Tami may receive compensation and therefore a conflict exists. This conflict is mitigated as advisors may refer clients to any CPA firm and the client has no obligation to do business with the advisor or Stovall.

In addition, associated persons of GWM may hold insurance licenses with independent insurance agencies and may be registered with GS as registered representatives.

A conflict of interest occurs if associated persons of GS offer clients commissionable securities products. In those events, IARs of GWM would receive compensation for securities product sales from GS. The aforementioned conflicts may be mitigated by the fact that clients are not required to purchase products or services through Gradient Securities. Clients have the option to purchase these products or services through other broker dealers of their choosing.

Jeffrey Foley is the President of Gradient Advisors, LLC (GA), an SEC registered investment advisor. As clients of GA will not be clients of GWM, there will be no conflict of interest.

### Recommendations or Selections of Other Investment Advisors and Conflicts of Interest

GWM and its associated persons will utilize the services of a third-party advisor to manage clients' investment portfolios. These arrangements allow the investment advisor to provide specific expertise to a client. In some cases, GWM will act as a Solicitor for the third-party advisor or we

may hire a third-party advisor as a sub-advisor. Specific arrangements will be detailed in the advisory agreement offered to the client. When clients are referred to third party money managers, advisors will be registered or notice filed where the clients reside.

GWM and its associated persons may be paid a portion of the fee charged and collected by the third-party investment advisor in the form of solicitor fees or consulting fees. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3.

Clients are advised that investment advisor representatives have a conflict of interest by only offering a third-party investment advisor that has agreed to pay a portion of its advisory fee to advisor. Clients are advised that there may be other third-party managed programs that may be suitable to the client that may be more or less costly. No guarantees can be made that the client's financial goals or objectives will be achieved. Further, no guarantees of performance can be offered. Investments involve risk, including the possible loss of principal.

When hiring a Sub-advisor, Sub-advisor will maintain the models or investment strategies agreed upon between Sub-Advisor and GWM. Sub-advisors execute all trades on behalf of GWM in client accounts. GWM will be responsible for the overall direct relationship with the client. GWM retains the authority to terminate the Sub-advisor relationship at its discretion. Specific arrangements will be detailed in the advisory agreement offered to the client. All required disclosure will be provided to the client in the third-party advisor's applicable brochures.

GWM performs a due diligence review on all third-party money management firms to ensure that they are properly registered in the states where GWM conducts business.

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

### **Code of Ethics Description**

The employees of Gradient Securities have committed to a Code of Ethics ("Code"). The purpose of our Code is to set forth standards of conduct expected of Gradient Securities employees and addresses conflicts that may arise. The Code defines acceptable behavior for employees of Gradient Securities. The Code reflects Gradient Securities and its supervised persons' responsibility to act in the best interest of their client.

One area the Code addresses is when employees buy or sell securities for their personal accounts and how to mitigate any conflict of interest with our clients. We do not allow any employees to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the interests of our clients.

Gradient Securities' policy prohibits any person from acting upon or otherwise misusing non-public or inside information. No advisory representative or other employee, officer or director of Gradient Securities may recommend any transaction in a security or its derivative to advisory clients or engage in personal securities transactions for a security or its derivatives if the advisory representative possesses material, non-public information regarding the security.

Gradient Securities' Code is based on the guiding principle that the interests of the client are our top priority. Gradient Securities' officers, directors, advisors, and other employees have a fiduciary duty to our clients and must diligently perform that duty to maintain the complete trust and confidence of our clients. When the potential for conflict arises, it is our obligation to put the client's interests over the interests of either employees or the company.

The Code applies to "access" persons. "Access" persons are employees who have access to non-public information regarding any clients' purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund, who are involved in making securities recommendations to clients, or who have access to such

recommendations that are non-public. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

### **Investment Recommendations Involving a Material Financial Interest and Conflict of Interest**

GWM and its employees do not recommend to clients securities in which we have a material financial interest.

### **Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

GWM and its employees may buy or sell securities that are also held by clients. In order to mitigate conflicts of interest such as front running of client trades, employees are required to disclose all reportable securities transactions as well as provide GWM with copies of their brokerage statements.

The Chief Compliance Officer of GWM is Klaus Siepmann. He reviews all employee trades each quarter. His trades are reviewed by Jeffrey Foley. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment over employee transactions.

### **Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

GWM does not maintain a firm proprietary trading account and does not have a material financial interest in any securities being recommended and therefore no conflicts of interest exist.

## **Item 12: Brokerage Practices**

### **Factors Used to Select Broker-Dealers for Client Transactions**

GWM does not have any affiliation with securities product sales firms used for custodial services. Specific custodian recommendations are made to Clients based on their need for such services. GWM recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates.

GWM may recommend discount brokerage firms and trust companies (qualified custodians), such as Pershing, E-Trade, Scottrade and TD Ameritrade. GWM does not receive fees or commissions from any of these arrangements.

- **Directed Brokerage:** GWM does not take direction from clients as to what broker-dealer to use.
- **Best Execution:** Investment advisors who manage or supervise client portfolios on a discretionary basis have a fiduciary obligation of best execution. The determination of what may constitute best execution and price in the execution of a securities transaction by a broker involves a number of considerations and is subjective. Factors affecting brokerage selection include the overall direct net economic result to the portfolios, the efficiency with which the transaction is effected, the ability to effect the transaction where a large block is involved, the operational facilities of the broker-dealer, the value of an ongoing relationship with such broker and the financial strength and stability of the broker. The firm does not receive any portion of the trading fees.

**Soft Dollar Arrangements:** The Securities and Exchange Commission defines soft dollar practices as arrangement under which products or services other than execution services are obtained by Advisor from or through a broker-dealer in exchange for directing client transactions to the broker-dealer. As permitted by Section 28(e) of the Securities Exchange Act of 1934, Advisor receives economic benefits as a result of commissions generated from securities transactions by the broker-dealer from the accounts of Advisor. These benefits include both proprietary research from the broker and other research written by third parties.

A conflict of interest exists when Advisor receives soft dollars. This conflict is mitigated by the fact that Advisor has a fiduciary responsibility to act in the best interest of its clients and the services received are beneficial to all clients.

Advisor utilizes the services of custodial broker dealers. Economic benefits are received by Advisor which would not be received if Advisor did not give investment advice to clients. These benefits include: A dedicated trading desk, a dedicated service group and an account services manager dedicated to Advisor's accounts, ability to conduct "block" client trades, electronic download of trades, balances and positions, duplicate and batched client statements, and the ability to have advisory fees directly deducted from client accounts.

A conflict of interest exists when Advisor receives soft dollars. This conflict is mitigated by the fact that GWM has a fiduciary responsibility to act in the best interest of his clients and the services received are beneficial to all clients.

### **Aggregating Securities Transactions for Client Accounts**

GWM is authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and transactions in the same securities for other Clients of GWM. All clients participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rated basis.

### **Item 13: Review of Accounts**

#### **Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Account reviews are performed on at least a quarterly basis by the IARs and a minimum of annually by Supervisory and Compliance personnel. Account reviews are performed more frequently when market conditions dictate. Financial Plans are considered complete when recommendations are delivered to the client and a review is done only upon request of client.

#### **Review of Client Accounts on Non-Periodic Basis**

Other conditions that may trigger a review of clients' accounts are changes in the tax laws, new investment information, and changes in a client's own situation.

#### **Content of Client Provided Reports and Frequency**

GWM does not issue regular reports. Account statements are issued by the custodian. Client receives confirmations of each transaction in accounts from the Custodian and an additional statement during any month in which a transaction occurs.

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

#### **Economic benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

GWM may receive referral fees for referring clients to third-party money managers that could create a conflict of interest. This conflict is mitigated by the fact that clients may use another money manager of their choosing. When referring clients to third-party advisors, the client's best interest will be the main determining factor of GWM.

#### **Advisory Firm Payments for Client Referrals**

GWM does not pay for client referrals.

### **Item 15: Custody**

#### **Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly. Clients are urged to compare their account statements received directly from their custodians to the performance report statements prepared by the third-party money manager.

GWM is deemed to have indirect custody solely because advisory fees are directly deducted from client's account by the custodian on behalf of GWM.

### **Item 16: Investment Discretion**

#### **Discretionary Authority for Trading**

GWM accepts discretionary authority to manage securities accounts on behalf of clients. has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. The client will authorize GWM discretionary authority to execute selected investment program transactions as stated within the Investment Advisory Agreement.

### **Item 17: Voting Client Securities**

#### **Proxy Votes**

GWM does not vote proxies on securities. Clients are expected to vote their own proxies. The client will receive their proxies directly from the custodian of their account or from a transfer agent.

When assistance on voting proxies is requested, GWM will provide recommendations to the client. If a conflict of interest exists, it will be disclosed to the client.

### **Item 18: Financial Information**

#### **Balance Sheet**

A balance sheet is not required to be provided because GWM does not serve as a custodian for client funds or securities and GWM does not require prepayment of fees of more than \$1,200 per client and six months or more in advance.

#### **Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

GWM has no condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

#### **Bankruptcy Petitions during the Past Ten Years**

Neither GWM nor its management has had any bankruptcy petitions in the last ten years.



### **Brochure Supplement (Part 2B of Form ADV)**

January 24, 2014

#### **Executive Officers and Management Brochure**

This brochure supplement provides information about the Executive Officers and Management that supplements the Gradient Securities, LLC brochure. You should have received a copy of that brochure. Please contact us at the above address, if you did not receive Gradient Securities, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about the Executive Officers and Management may be available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

#### **Education and Business Standards**

GWM requires each investment advisory agent who renders investment and financial planning to clients to be an investment advisor representative meeting the registration requirements in their applicable state.

#### **Professional Certifications**

Employees have earned certifications and credentials that are required to be explained in further detail.



## Tami Lucius, Founder and CEO



Tami serves as president and co-founder of Gradient Financial Group, LLC (GFG). She boasts 20 years of experience in the field of human resource management and operations and possesses an extensive financial services background. With an in-depth understanding of the complex demands of the financial services industry, her experience provides an invaluable perspective on the intricate relationships required

to run a leading financial services organization.

She started her career with Prudential Life Insurance Company in Minneapolis, Minnesota and served in the field as an agent for one of Prudential's leading agencies. She was then promoted to a director position to utilize her human resource and operations talent to recruit and train new agents for the development of an additional St. Paul, Minnesota branch office.

She continued to develop her background and build an impressive human resource resume with Fortune 500 corporations; Wells Fargo and Continental Graphics – a Boeing Company.

In 2001, Tami moved to Topeka, Kansas and began her tenure at an insurance field marketing organization, Personalized Brokerage Services (PBS). Tami served as vice president of operations and was instrumental in growing PBS from a team of 15 professionals to 150 professionals. A wealth management business model was created which included securities, long-term care and life insurance divisions as well as a top-tier practice management program, and PBS earned a reputation for operational excellence.

In 2005, Tami co-founded Gradient Insurance Brokerage, Inc. (GIB) where she currently serves as principal and chief executive officer. GIB is one of the fastest growing marketing organizations in the country, offering fixed annuity and life insurance products to consumers across the country through an elite network of financial services professionals.

Tami earned her Bachelor of Science Industrial and Organizational Psychology with a concentration in Human Resource Management from Minnesota State University, graduating with distinction in the top 10 percent of her graduating class. She is life and health licensed in all 50 states.

**Year of birth:** 1971

### **Educational Background:**

- Mankato State University; Bachelor of Science; 1988

### **Business Experience:**

- Gradient Financial Group, LLC; Co-Owner; 2008-Present
- KonnexME, LLC; Co-Owner/Secretary/Treasurer; 2012-Present
- Gradient Securities, LLC; Member/Co-Owner; 2009-Present
- Gradient Insurance Brokerage, Inc.; CEO/Owner; 2005-Present
- Stovall & Associates, LTD; Owner; 2014-Present
- Personalized Brokerage Services, LLC; Vice President of Operations; 2000-2005

**Disciplinary Information:** None to report

**Other Business Activities:** Tami is owner of Gradient Insurance Brokerage, Inc. (GIB) an insurance wholesaling company. Advisors of GWM may also have an outside affiliation through a separate agency (or individually as an agent) for the placement of insurance products. The agency or individual is licensed as an independent contractor of the insurance company and places insurance products directly with the insurance company of their choice. Insurance Marketing Organizations (IMO) exist within this independent structure to provide a distribution channel on behalf of the insurance companies. In the event an

independent agent elects to partner with the IMO GIB, GIB will be compensated direct from the insurance company. Tami Lucius receives compensation from GIB and therefore a conflict of interest occurs. This conflict is mitigated as independent agents may work with any approved insurance company or IMO, one of which may be GIB. The commission structure built into insurance products is predetermined by the insurance companies and is not altered by the IMO. The product purchased by the client is issued by the insurance company and is no way altered by the IMO or the insurance agent. Furthermore, the client has no obligation to do business with the advisor/agent. Tami is owner of Stovall & Associates, LTD (Stovall), a CPA firm. Advisors of GWM may refer clients to Stovall to provide clients with tax services for which Tami may receive compensation and therefore a conflict exists. This conflict is mitigated as advisors may refer clients to any CPA firm and the client has no obligation to do business with the advisor or Stovall.

**Additional Compensation:** Tami receives compensation from Gradient Insurance Brokerage, Inc. (GIB). A conflict of interest occurs if an associated person of GWM refers a client to an independent insurance organization, like GIB. In that event, GIB would receive compensation through non-securities (insurance) products sold under these circumstances. This conflict is mitigated as clients are not obligated to use GIB for insurance product purchases. Tami receives compensation from Stovall & Associates, LTD (Stovall). A conflict of interest occurs if a GWM advisor refers a client to Stovall. In that event, Stovall would receive compensation for CPA-related services. This conflict is mitigated as clients are not obligated to use Stovall for CPA services.

## Jeffrey Foley CFP®, MSM - Elected Manager



Jeffrey Foley brings over 18 years of financial services experience in the insurance and investment industries. On the insurance side, he worked with a leading marketing organization based in Topeka, Kansas and served in numerous management roles, including Vice President of Marketing. Under his leadership, the organization submitted over \$1 billion in annuity premium annually.

In 2006, Jeff joined Old Mutual Financial Network as Assistant Vice President Broker/Dealer and Marketing Relations where he was responsible for the internal annuity and life sales teams as well as the en Español sales team and all broker/dealer relations.

Jeff provides product and practice management guidance and training to advisors and has continuously supervised Registered Representatives. He performs investment analysis, compliance and practice management advice to advisors.

Jeff earned his Master's of Science in Management from the American College and graduated with honors from Bethany College. Over the course of his career, Jeff has attained his Series 7, 24, 6, 53, 63 and 66 registrations as well as the CFP® and CLTC designation. He also holds his Life and Health license.

**Year of birth:** 1975

### **Educational Background:**

- The American College; Masters of Science in Management; 2008
- Bethany College; BA Business Management; 1997
- Certified Financial Planner (CFP®), CFP® Board; 2013

### **Professional Certifications:**

**Certified Financial Planner (CFP®):** Certified Financial Planner is a designation granted by the CFP® Board. CFP® requirements:

- Bachelor's degree from an accredited college or university.
- Completion of the financial planning education requirements set by the CFP Board ([www.cfp.net](http://www.cfp.net)).
- Successful completion of the 10-hour CFP® Certification Exam.
- Three-year qualifying full-time work experience.

- Successfully pass the Candidate Fitness Standards and background check.
- Once the CFP® designation is obtained, the CFP® must renew the certification every year, pay a certification fee and complete 30 hours of continuing education.

**Business Experience:**

- Gradient Securities, LLC; President; 2009-Present
- Gradient Advisors, LLC; Elected Manager; 2009-April 2015
- Gradient Tax, LLC; President; 2008-2013
- Gradient Insurance Brokerage, Inc.; Senior Vice President; 2008-2009
- Gradient Investments, LLC; CCO; 2008-2009
- Old Mutual Financial Network Securities; Principal; 2007-2008
- Old Mutual Financial Network; AVP, BD & Marketing Relations; 2006-2008
- Insurance Formology; President; 2005-2006
- US Allianz Securities, Inc.; Registered Representative; 2000-2005
- Personalized Brokerage Services, Inc.; Brokerage Manager; 1997-2005

**Disciplinary Information:** None to report

**Other Business Activities:** Jeff is also President of Gradient Advisors, LLC, an SEC registered investment advisor.

**Additional Compensation:** Jeff receives compensation through Gradient Advisors, LLC (GA), an SEC registered investment advisor.

**Supervision:** Jeff Foley's advisory activities are supervised by Klaus Siepmann, Chief Compliance Officer. He reviews Jeff Foley's advisory work through frequent office interactions. Klaus Siepmann also reviews Jeff Foley's activities through our client relationship management system. Mr. Siepmann's contact information: Tele: (866) 991-1539, Email: [ksiepmann@gradientsecurities.com](mailto:ksiepmann@gradientsecurities.com).

**Klaus Siepmann, CPA - Chief Compliance Officer**



Klaus Siepmann joined Gradient Securities in November 2013 to serve as Chief Compliance Officer. Having more than 30 years in the financial services industry, Klaus brings a wide breadth of regulatory, financial, supervisory and operational knowledge to Gradient Securities, LLC.

Klaus spent six years as a public accountant auditing large to mid-size financial institutions for both SEC registrants and closely held corporations. His experience also includes the preparation of

both business and personal tax returns.

Later, he led an internal audit group for a bank and trust company. His responsibilities included oversight for the completion of compliance, operational and financial audits for all areas of the bank including the trust department.

For the past 15 plus years Klaus has held various leadership roles at both broker-dealers and state and SEC registered investment advisory firms. His roles have included Chief Compliance Officer, Chief Financial Officer, VP of Operations and Supervising Principal in both the independent and banking distribution channels. He is a regular speaker on various securities, insurance and advisory topics.

Klaus graduated with honors in accounting from the University of Iowa and shortly thereafter passed the Certified Public Accountant (CPA) examination and became licensed to practice as a CPA. Over the course of his career, Klaus has attained his Series 4, 7, 24, 27, 53, 63, 79, 99, and 65 registrations as well as an insurance license.

At Gradient Securities, Klaus provides regulatory compliance oversight for the organization.

**Year of birth:** 1962

**Educational Background:**

- University of Iowa; BBA Major in Accounting; 1984
- Certified Public Accountant, Iowa Board of Accountancy; 1985

**Professional Certifications:**

**Certified Public Accountant (CPA):** A Certified Public Accountant is licensed by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include:

- Bachelor's degree from an accredited college or university with a concentration in accounting.
- Minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA.
- Successful completion of the CPA Certification Exam.
- Follow a rigorous Code of Professional Conduct which requires they act with integrity, objectivity, due care, competence, and fully disclose conflicts of interest.
- In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period, or 120 hours over a three year period).

**Business Experience:**

- Gradient Securities, LLC; Chief Compliance Officer; 2013-Present
- Gradient Advisors, LLC; Chief Compliance Officer; 2013-2014
- Allied Beacon Partners, Inc. Chief Compliance Officer; 2011-2013
- Workman Securities Corporation; Chief Compliance Officer; 2006 – 2011
- Associated Investment Services; Regional Sales VP and Supervising Principal; 2004-2006
- Independent Compliance Consultant; 2003-2004
- Askar Holding Company; VP of Operations; 2002-2003

**Disciplinary Information:** None to report

**Other Business Activities:** None to report.

**Additional Compensation:** None.

**Supervision:** Klaus Siepmann is supervised by Jeff Foley, Elected Manager. He reviews Klaus's work through frequent office interactions. He also reviews Klaus's activities through our client relationship management system. Jeff Foley's contact information: Tele: (866) 991-1539, Email: [jfoley@gradientsecurities.com](mailto:jfoley@gradientsecurities.com).