



**GLADSTONE INSTITUTIONAL ADVISORY, LLC  
DBA GLADSTONE WEALTH GROUP**

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**ADV PART 2A  
FIRM BROCHURE**

**November 8, 2019**

This brochure provides information about the qualifications and business practices of Gladstone Institutional Advisory, LLC (“GIA” or the “Firm”), dba Gladstone Wealth Group. If you have any questions about the contents of this brochure, please contact the Firm at (908) 719-1313.

GIA is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”). Registration of an investment adviser does not imply a certain level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about GIA is available on the SEC’s Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

The following is a summary of material changes made to this Brochure from the time of the annual update of the Brochure dated March 31, 2018.

### **Item 4. Advisory Business**

#### **Types of Advisory Services**

Included is a description of a recently added wrap program offering where Schwab Advisor Services, a division of Charles Schwab & Co. acts as custodian.

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

#### **Step-out Trades**

Disclosure has been added to clarify that Clients will pay fees for trades executed away from the custodian in addition to the wrap fee paid to GIA. Trades may be executed away from the custodian when those trades are more likely to provide Clients with best execution.

#### **Internal Product Fees and Expenses**

Additional disclosure has been added to clarify that IARs can select more expensive mutual fund share classes available on a custodian's Platform when a lower-cost share class is available for the same fund. While GIA endeavors to use the lowest-cost mutual fund share class available, the Firm cannot ensure that all Clients will hold the lowest cost share class available on the Platform at any given time.

### **Item 12. Brokerage Practices**

#### **Soft Dollar Arrangements**

Included is a description of Schwab Platform economic benefits including products and services that benefit GIA but may not benefit Client accounts.

### **Item 15. Custody**

Included is a description of safeguards implemented in coordination with the Firm's qualified custodians in connection with the Firm's power to disburse Client funds to a third party under a standing letter of instruction ("SLOA").

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#### **Item 4. Advisory Business**

##### **Description of the Advisory Firm**

Gladstone Institutional Advisory LLC (“GIA” or the “Firm”) is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”). The Firm is organized as a limited liability company under the laws of the State of New Jersey on May 19, 2015 and is principally owned by Robert P. Hudson III, the Firm’s President and Managing Director.

Gladstone Institutional Advisory LLC also operates under a different business name (“DBA”), “Gladstone Wealth Group.”

GIA’s business model is based on a network of Investment Adviser Representatives (“IARs” or “Supervised Persons”) doing business in offices located in several states and cities. Although IARs are registered with GIA, and subject to oversight by from a centralized location, they operate their business as independent contractors. Some IARs operate under other business names (“doing business as” or “DBAs”). For more information about an IAR, please refer to the IAR’s Form ADV 2B Brochure Supplement. For a complete list of the Firm’s DBAs, please refer to Schedule D in Section 1.B (Other Business Names) of Form ADV Part 1, which can be found on the SEC’s Investment Advisor Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Although GIA is not registered as a broker-dealer, most IARs of GIA are also registered with an unaffiliated broker-dealer, LPL Financial (“LPL”)<sup>1</sup>. LPL is registered with the SEC as a broker-dealer and investment adviser and is a member of FINRA and SIPC. In view of this arrangement, most Supervised Persons are able to offer a Client investment advisory services through GIA, including LPL Financial Sponsored Advisory Programs, and brokerage services as a registered representative through LPL. Before engaging with an IAR, Clients should take time to consider the differences between an advisory relationship and a brokerage relationship to determine which type of service best serves the Client’s investment needs and goals. Clients should speak to the Supervised Person to understand the different types of services available to them.

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<sup>1</sup> Additional information about the LPL Financial is available on the FINRA’s BrokerCheck® Website at <https://brokercheck.finra.org/>.

Each advisory account at the Firm is managed by one or more IARs who serve as the primary point of contact between the Firm and the Client and who determine which other available Firm resources to utilize in connection with providing investment advice to Clients. Some IARs choose to incorporate more of the Firm's available resources in their provision of advisory services to their Clients than others do.

As of December 29, 2018, GIA had \$613,654,732 in regulatory assets under management, all of which was managed on a discretionary basis.

### **Types of Advisory Services**

GIA offers five (5) primary types of managed account Programs for its advisory Clients as well as financial planning. From time to time, individual IARs offer custom consulting or other services. In such events, the details will be disclosed in the specific agreements with the Client.

For all of the assets in its primary asset management programs, the Firm provides continuous and regular supervisory or management services (as defined by the SEC) based on the Client's individual goals, objectives, risk tolerance, time horizon, liquidity needs, investment assets and income ("financial circumstances") utilizing the investment strategy selected by the Client. IARs obtain a financial profile for each Client to aid in the construction of a portfolio that matches the Client's specific situation. Many Clients maintain "household" accounts, in which multiple accounts for an individual or members of a family may be managed jointly to maximize efficiencies. (The term "Client" includes such households, for purpose of this brochure.) For all of the different types of asset management programs, the IAR will assist Clients in assessing their goals, risk tolerance, income and tax situation and select an investment strategy and asset allocation that are appropriate for the Client's specific circumstances. However, GIA does not provide tax advice to Clients.

GIA, through its IARs, is available to Clients on an ongoing basis to discuss Client financial circumstances, the selected portfolio and the securities therein or to process

instructions from Clients concerning advisory assets.

The investment strategies used by IARs vary from Client-to-Client, as warranted by the individual circumstances.

Clients are advised to promptly notify their IAR if there are changes in their financial situation, investment objectives or if they wish to impose any reasonable restrictions upon the Firm's investment management services. Clients can engage the Firm to manage all or a portion of their assets on a discretionary or non-discretionary basis, by entering into one or more written agreements with the Firm. Clients may be required to enter into additional written agreements with third-party custodians, investment managers, insurance companies and/or investment companies that are not affiliated with GIA.

At the present time GIA offers its investment management services to Clients utilizing the managed account Programs and other services described below.

**1. Strategic Wealth Management II Program ("SWM II")**

SWM II offers Clients ongoing investment advisory services provided by their IAR on assets in the Client's account. IARs have discretion to purchase and sell various types of investments, such as mutual funds, unit investment trusts, closed-end funds, exchange traded products, equities, options, and fixed income securities. The SWM II Program does not include IAR discretion on any direct investments under management, such as variable annuities, non-exchange traded alternative investments, and structured products.

IARs provide investment management services tailored to the individual needs of the Client based on the investment objectives chosen by the Client. Clients may impose restrictions on investing in certain securities or groups of securities by indicating in the Account Application. Given the long-term nature of many SWM II strategies, an account may have little or no activity during a given period.

There is no minimum required account value in the SWM II Program. Other than direct investments, assets in the Program are custodied at LPL, which is unaffiliated with GIA. Clients should refer to their account application package for specific information on LPL's custody and administrative fees. If direct investments are utilized, the assets will be identified on the LPL Financial account statements, but the actual securities are often held with and valued by the issuer of the security.

## **2. Manager Asset Select Program ("MAS")**

MAS is an LPL Financial Sponsored Advisory Program that provides Clients access to the investment advisory services of professional portfolio management firms for the individual management of Client accounts. The Program offers two alternatives (i) the Separately Managed Account Platform ("SMA Platform"); and (ii) the Model Portfolio Platform ("MP Platform") (collectively "Platforms"). For both Platforms, the IAR will assist Client in identifying a third-party portfolio manager (Portfolio Manager) from a list of Portfolio Managers made available by LPL. The Portfolio Manager manages Client's assets on a discretionary basis. The IAR will provide initial and ongoing assistance regarding the Portfolio Manager selection process and serves as the point of contact between the Client and Portfolio Manager with regards to changes in the Client's investment objective, financial circumstances and investment restrictions (if any).

### **SMA Platform**

The SMA Portfolio Manager selected by the Client has ongoing investment discretion regarding the investment and reinvestment of account assets in accordance with the investment objective restrictions and guidelines set forth in the Investment Management Agreement and Account Application. The SMA Portfolio Manager independently determines whether to accept the Client account based on the content of

the Account Application, suitability and whatever other factors the SMA Portfolio Manager has deemed appropriate. The SMA Portfolio Manager has the sole authority to determine the securities to be purchased, sold or exchanged and which portion, if any, of the assets shall be held uninvested. The SMA Portfolio Manager has discretion to invest among a broad variety of security types, including equities, fixed income securities, options, mutual funds and ETFs. The IAR does not play a role in the selection of securities to be purchased or sold.

#### MP Platform

Under the MP Platform, LPL provides ongoing discretionary investment advice regarding the investment and reinvestment of account assets in accordance with the Model Portfolio selected. LPL is expected to closely track the Model Portfolio, making modifications only to redress account issues, including tax loss harvesting, rebalancing, and to ensure that investment restrictions are being followed. The IAR does not play a role in the selection of securities to be purchased or sold.

LPL selects and reviews SMA Portfolio Managers and MP Model Advisors for the Platform based on quantitative, qualitative and infrastructure criteria. Portfolio Managers and Model Advisors that are “Recommended” by LPL Research are subject to more rigorous selection and review process. Clients should speak to their IAR regarding whether the Portfolio manager or Model Advisor being considered for selection or that has been selected by the Client is “Recommended” or “Participating.”

A minimum account value of \$100,000 is required for the MAS Program; however, in certain instances, the minimum account size may be lower or higher.

Clients should note that an account will not be invested until the applicable minimum for the investment strategy or Model Portfolio has been reached. Clients should consult with their IAR to obtain more information about the applicable investment minimum based on the strategy or Model Portfolio



selected.

LPL acts as custodian to MAS accounts, provides brokerage and execution services as the broker-dealer on transactions, and performs administrative services, such as quarterly performance reporting to Clients. GIA is unaffiliated with LPL and third-party managers utilized under the program. Clients should refer to their account application package and third-party manager disclosure brochure for specific information on LPL's management fees and fees imposed by third parties.

### **3. Model Wealth Portfolios Program ("MWP")**

MWP is an LPL Financial Sponsored Advisory Program that offers Clients professionally managed mutual fund and ETF asset allocation models. The IAR will obtain the necessary financial data from the Client, assist the Client in determining the suitability of the MWP Program and assist the Client in setting an appropriate investment objective. The IAR will initiate the steps necessary to open an MWP account and have discretion to select a model portfolio designed by LPL's Research Department consistent with the Client's stated investment objectives. LPL's Research Department or third-party portfolio strategists are responsible for selecting the mutual funds or ETFs within a model portfolio and for making changes to the mutual funds or ETFs selected.

Portfolio Strategists are independent investment advisor firms. Portfolio Strategists provide LPL on an ongoing basis with a Portfolio that includes recommended asset allocations and funds. LPL enters into an agreement with the Portfolio Strategist for these Portfolio services. Other than the IAR and LPL, Portfolio Strategists do not have discretion from the Client to implement the Portfolio and do not provide individualized investment advice to specific program Clients. In certain cases, a Portfolio may consist only of mutual funds and/or ETFs within the same fund family or within affiliated fund families. In such a Portfolio, the Portfolio Strategist will select only those funds within the fund family or affiliated fund families, and a third-party Portfolio Strategist or

its affiliates may earn two levels of fees with respect to the assets; a strategist fee and fund-level fees, including fund management fees.

The Client will authorize LPL to act on a discretionary basis to purchase and sell mutual funds and ETFs and to liquidate previously purchased securities. The Client will also authorize LPL to effect rebalancing for MWP accounts.

MWP requires a minimum asset value for a Program account to be managed. The minimums vary depending on the Portfolio(s) selected and the account's allocation amongst Portfolios. The lowest minimum Portfolio is \$25,000. In certain instances, a lower minimum for a Portfolio will be permitted. Note that an account will not be invested according to a Portfolio or Portfolios until the applicable minimum for the Portfolio(s) and allocation has been reached. Clients should consult with IAR to obtain more information about the applicable investment minimum based on the Portfolio(s) selected and the allocation amongst Portfolios.

LPL acts as custodian to MWP accounts, provides brokerage and execution services as the broker-dealer on transactions, and performs administrative services, such as quarterly performance reporting to Clients. GIA is unaffiliated with LPL. Clients should refer to their account application package for specific information on LPL's management fees and fees imposed by third parties.

#### **4. Optimum Market Portfolios Program ("OMP")**

OMP is an LPL Financial Sponsored Advisory Program offering Clients the ability to participate in a professionally managed asset allocation program using Optimum Funds shares. Under OMP, the Client authorizes LPL on a discretionary basis to purchase and sell Optimum Funds pursuant to investment objectives chosen by the Client. The IAR will assist the Client in determining the suitability of the OMP for the Client and assist the Client in setting an appropriate investment objective. The IAR will have discretion to select a mutual fund asset allocation portfolio designed by LPL consistent with the

Client's investment objective. LPL will have discretion to purchase and sell Optimum Finds pursuant to the portfolio selected for the Client. LPL will also have the authority to rebalance the account.

A minimum account value of \$10,000 is required for the OMP Program. In certain instances, a lower minimum for the Program will be permitted. LPL acts as custodian to OMP accounts, provides brokerage and execution services as the broker-dealer on transactions, and performs administrative services, such as quarterly performance reporting to Clients. GIA is unaffiliated with LPL. Clients should refer to their account application package for specific information on LPL's management fees and fees imposed by third parties.

## **5. Schwab Advisor Services Program**

Schwab Advisor Services, a division of Charles Schwab & Co. ("Schwab") is a Program where GIA, through its IARs, provides ongoing investment management on Client assets custodied at Schwab. IARs have discretion to purchase and sell various types of investments, such as mutual funds, unit investment trusts, closed-end funds, exchange-traded products, equities, options, and fixed income securities.

IARs provide investment management services tailored to the individual needs of the Client based on the investment objectives chosen by the Client. Clients may impose restrictions on investing in certain securities or groups of securities by indicating in the Agreement. Given the long-term nature of many individual strategies employed in the Schwab Program, an account may have little or no activity during a given period.

Clients should be aware that GIA provides LPL access to confidential Client information including personally identifiable information ("PII") and other information including financial information, transactions and holdings for accounts established through Schwab even if the Client does not establish an account through LPL.

There is no minimum required account value in the Schwab Program. Schwab is unaffiliated with GIA. Clients should refer to their account application package for specific information on Schwab's custody and other applicable fees.

## **6. Financial Planning Services**

Fee-based financial planning services are based on fixed fees documented in the Financial Planning Agreement. Financial Planning is designed to meet the Client's financial goals, needs and objectives. The scope of financial planning services varies depending on the Client and typically involves some combination of a review of the Client's current financial circumstances including estate planning, insurance planning, education planning, retirement planning, charitable giving, and business succession planning and portfolio analysis. GIA does not typically advise on business value analysis and/or business liquidations, or property and casualty insurance, but these components can be referred to third-parties. Neither GIA, nor any IAR of the Firm, provide tax, accounting or legal advice to Clients. Clients should make all decisions regarding the tax and legal implications of their investments and plans with their independent tax or legal advisors.

GIA may recommend the services of itself, its Supervised Persons in their individual capacities as insurance agents or registered representatives of a broker-dealer, and/or other professionals to implement its recommendations.

Following delivery of the financial planning services (which may or may not include a written plan), the investment advisory relationship terminates for Clients who have engaged GIA as investment advisor for the limited purpose of producing a financial planning services.

Clients are free to implement none, some or all of the recommendations and may do so through GIA or through other providers of such services. Charges may be lower or higher if the plans are implemented away from GIA.

If financial planning Clients choose to implement the recommendations contained in the financial plan through GIA, the IARs will typically recommend products and services offered through LPL and they may act in their capacities as registered representatives and/or insurance agents.

In circumstances where the IAR recommends specific investments and is otherwise involved in implementing the plan the opportunity for the IAR and GIA to receive additional compensation as a result of such recommendations creates a conflict between the Client's interests and those of the IAR and GIA. In addition, if a Client separately purchases a product or service recommended by the IAR to implement a financial planning recommendation, the Client will generally be charged commissions or fees in connection with those transactions and services that are separate from and in addition to the fees charged by GIA for financial planning services.

In addition to these primary types of managed account programs and financial planning services, Clients and IARs may negotiate other types of services for a retainer, flat fee or otherwise. These arrangements will be documented separately with the Client, the IAR and GIA.

All investments have risk and there is no guarantee that utilizing the financial planning, asset management and/or advisory consulting services of GIA or its IARs will produce favorable results.

### **Other Aspects of Asset Management**

In its provision of investment advice and asset management, GIA utilizes various types of investments, such as mutual funds, unit investment trusts, closed-end funds, exchange traded products, equities, options, fixed income securities, and other securities.

The Firm offers the same suite of services to all its Clients; however, each IAR

independently determines, based on his own investment strategies, methods of analysis, and preferences in conjunction with each Client's specific profile and financial circumstances, which services and products to recommend. Clients may impose reasonable restrictions on GIA regarding investing in certain securities or types of securities in accordance with their values or beliefs (or based on their employer's restrictions) except with certain third-party managers. However, if the restrictions prevent GIA from properly servicing the Client account, or if the restrictions would require the Firm to deviate from its standard platform of services, the Firm reserves the right to decline or terminate the relationship.

Clients should be aware that GIA is limited to offering direct investment products, such as structured products, market-linked investments and alternative investments that are approved by LPL and is prohibited from offering direct investment products available through broker-dealers other than LPL. The availability of these investment products presents and incentive for IARs to recommend Clients use LPL's custodial platform rather than another custodian's platform. GIA may provide fee-based advisory services on Client assets held at other custodians with the written consent of LPL.

Clients should be aware that while IARs recommend investment advisory Programs based on what they believe is appropriate for the Client, a conflict of interest exists for the IAR to recommend Programs offered through LPL because, more often than not, a percentage of the fee payout to the IAR is the same or higher than Programs offered through custodians.

### **Wrap Fee Programs**

GIA participates in wrap fee programs which are investment programs wherein the investor pays one stated fee that includes portfolio management, asset allocation, execution of transactions, and preparation of quarterly performance reports. GIA's wrap fee Programs currently include SWM II, MAS, MWP, OMP, and Schwab Advisor Services. GIA provides continuous and regular supervisory or management services to investments in wrap fee programs. The fees paid to the wrap programs will be given to GIA as a management fee. Other parties may also receive a portion of the Client's overall management fee, which is in addition to the fee paid to GIA. For example, third-party managed programs can allow the IAR to select one or more other portfolio managers. Each

portfolio manager selected for the Client charges a fee for managing a portion of the Client's selected assets.

Clients should be aware that if there is little or no trading activity in the account, the Client will pay more in advisory fees than commission charges if the account was a non-managed account or if such services were purchased separately.

For additional information on Gladstone Institutional Advisory's wrap fee programs refer to Form ADV Part 2A, Appendix 1 ("Wrap Brochure").

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

### **Investment Supervisory Services Fees**

When a Client engages GIA to provide investment management services, the Client is charged a fee. IARs set their own asset-based fee for their services, so long as their asset-based fee does not exceed the Firm's maximum fee of 2%. IARs consider various factors in determining what fee to charge, which may include, among other things, the nature and size of the overall Client relationship with the IAR. Clients may negotiate fees for the IAR's services. Clients with assets in MAS, MWP and OMP will also pay fees to other parties, such as third-party money manager(s), custodian and platform manager, as well as GIA. These fees are in addition to the fee the Client pays GIA. Regardless of the Program selected, Clients will pay internal expense and management fees in connection with transactions in certain types of securities such as mutual funds, exchange traded products, and direct investment products, such as structured products and alternative investments which can vary considerably. Clients should be aware that if there is little or no trading activity in the account, the Client will pay more in advisory fees than commission charges if the account was a non-managed account or if such services were purchased separately.

The fee charged for assets in SWM II and Schwab Programs is included in the written Investment Management Agreement between GIA and the Client. For MAS, MWP and OMP Programs, the fees are covered in the written Investment Management

Agreement between GIA and the Client in conjunction with separate Agreements directly between the Client and third-party money manager and custodian and platform manager. For these programs, the Client pays separate fees to those managers and to GIA; although both fees may be deducted from the assets managed by the custodian and/or third-party manager.

While IARs recommend investment advisory Programs based on what they believe is appropriate for the Client, a conflict of interest exists for the IAR to recommend Programs offered through LPL because more times than not, a percentage of the fee payout to the IAR is the same or higher than Programs offered through other custodians.

Since GIA began providing these services, it has had other asset-based fee structures in effect, which may have been lower or higher, as the case may be, than that described above. As new fee structures are put into effect, they are generally made applicable only to new Clients, and fees to existing Clients are generally not affected.

### **Financial Planning Fees**

Financial Planning fees are negotiable and are generally determined based on the nature and extent of the services being provided, the complexity of the Client's circumstances, as well as other aspects of the Client's current and historical relationship with GIA. All fees are agreed upon prior to entering into an Agreement with any Client. Fees are payable by check in advance and may and may change depending on whether or not new complexities present themselves. Any changes made to a financial plan will be discussed with Clients in advance, and a new agreement will be signed to reflect the changes. The fees charged to a Client are paid to GIA and a portion of the fee is paid to the IAR.

### **Payment of Fees**

For SWM II, MAS, MWP and OMP Programs, fees are due and payable in advance and are based upon the ending account values as of the close of business on the last



day of the previous calendar quarter. Fees are calculated and deducted from the managed account by LPL, the qualified custodian of record. Fees for the initial quarter are adjusted pro rata based upon the number of calendar days in the calendar quarter that the Investment Advisory Agreement goes into effect. If assets are deposited into or withdrawn from an account after inception of a billing period, the fee payable with respect to such assets is prorated to reflect the change in portfolio value. The advisory relationship may be terminated by the Client, GIA or by third-parties to the contract in accordance with the provision of the Investment Management Agreement. The Client receives a pro rata refund of any prepaid unearned advisory fees. Clients receive an account statement from their qualified custodian at least quarterly. The statement includes the amount of any fees debited or credited, as the case may be, from the Client's' account pursuant to written authorization.

Advisory fees for the Schwab Program are deducted in arrears and are based upon the average daily balance of the account as of the close of business on the last day of the calendar quarter. Fees are calculated by GIA and deducted from the managed account by Schwab, the qualified custodian of record. The first payment is calculated based on the number of days assets are placed in the account during the calendar quarter. The advisory relationship may be terminated by the Client, GIA or by third-parties to the contract in accordance with the Investment Management Agreement. If an account is terminated prior to the end of a calendar quarter, the terminating Client will pay prorated fees due up to the account termination date. Clients receive an account statement from their qualified custodian quarterly. The statement includes the amount of any fees debited or credited, as the case may be, from the Client's account pursuant to written authorization.

Clients are advised to review the Investment Advisory Brochures and applications/contracts/agreements with applicable third-parties for complete information on how fees are charged by such parties because their processes for charging fees may change from time-to-time. If you have questions about a particular Program, custodian, or fees please contact your IAR.

#### **Other Types of Fees and Expenses**

Clients are responsible for the payment of all third-party fees such as custodian fees, charges imposed directly by a mutual fund, index fund, exchange traded product or direct investment which shall be disclosed in the fund's prospectus or issuer's offering document (i.e., management fees and other expenses), mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from the custodian ("step-out trades"), platform fees, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. The custodian utilized by third-party managers may impose other charges. These fees are not included within the wrap-fee. Clients are charged by GIA. As noted throughout, Clients are encouraged to review all documentation provided by those managers for full and current details regarding their practices. Please contact your IAR if you have any questions.

### **Internal Product Fees and Expenses**

Additionally, all collective instruments, including mutual funds, exchange traded products, unit investment trusts and direct investments, such as structured products and alternative investments have their own internal fees which are also disclosed in each product's offering documents and vary considerably. These internal charges often include operating expenses, management fees, administrative fees, 12b-1 fees, redemption fees, and other fees and expenses that increase the expense ratio of the investment. These fees are a second layer of fees and in addition to the fees charged by GIA.

If Clients transfer in B or C share classes of mutual funds, and if such shares are liquidated after being transferred to GIA, those shares will incur a contingent deferred sales charge ("CDSC") from the mutual fund company if they are within the CDSC holding period.

GIA has available for purchase through its custodians mutual funds which are no-load or load-waived share classes and therefore not subject to any upfront sales charge (Platform Shares). Clients should be aware that load-waived funds charge 12b-1 fees, which can vary considerably. Clients should further understand that IARs can select

more expensive share classes available on the custodian's Platform when a lower-cost share class is available for the same fund. All sales loads and 12b-1 fees are retained by the custodian and not directly or indirectly paid to GIA or its IARs and are not credited to Clients' advisory accounts.

Most mutual funds available in the Programs may be purchased directly from the issuer. Therefore, Clients could generally avoid the second layer of fees by not using the advisory services of GIA and by making their own decisions regarding the investment. GIA encourages all Clients to closely review the investment's prospectus or offering documents for all such investments with their IARs and to consider aggregate costs. Clients should contact their IAR with any questions about any particular product's fees and expenses.

Clients should understand that available Platform Shares in many cases will not be the least expensive share class that the mutual fund issuer makes available. Share classes are selected by custodians to be available on their Platforms in certain cases because the share class pays the custodian compensation for the administrative and record keeping services the custodian provides to the mutual fund. GIA or its IARs do not share directly or indirectly in any compensation received by custodians for these services.

While GIA endeavors to use the lowest-cost share class available and periodically reviews its holdings in order to convert higher cost shares to lower cost shares, the Firm cannot ensure that all Clients will hold the lowest cost shares available on the Platform at any given time. Further, some third-party money managers are more careful about utilizing the lowest cost share class than others.

### **Third-Party Manager Step-out Trades**

Third-party managers are permitted to place trades through LPL in its capacity as a broker-dealer, or through other broker-dealers if the third-party manager determines that such other broker-dealer is providing best execution considering applicable circumstances. If a third-party manager executes trades through a broker-dealer other

than LPL, there will most likely be a commission or mark-up on the trade that wouldn't have been charged if the trade was executed through LPL.

Clients are encouraged to review the disclosure brochure for the third-party manager selected for more information regarding their practices. Please see the Brokerage Practices Section for further information regarding step-out trades and best execution practices.

#### **Limitations due to LPL Licensing/Registration**

The individuals that are licensed as registered representatives of LPL Financial are subject to regulations that restrict them from conducting securities transactions away from LPL without written authorization from LPL. Clients should, therefore, be aware that for accounts where LPL serves as the custodian, GIA is limited to offering services and investment vehicles that are approved by LPL, and may be prohibited from offering service and investment vehicles that may be available through other broker-dealers and custodians.

#### **Commission or Sales Charges for Recommendations of Securities and Insurance**

Most of GIA's Supervised Persons are also registered with LPL as FINRA broker-dealer registered representatives. A conflict of interest exists to the extent that Supervised Persons of GIA, in their individual capacities as registered representatives of LPL, recommend Clients utilize the brokerage services of LPL where Supervised Persons receive commissions, concessions, sales charges and other transaction fees for brokerage or insurance services provided. GIA does not directly or indirectly receive any portion of commissions, concessions, sales charges or transaction fees for brokerage or insurance services provided by Supervised Persons or by LPL. Clients are in no way required to purchase any product or service through any Supervised Persons of GIA in their outside capacities.

As part of a financial plan, a Supervised Person may recommend changes to a Client's insurance coverage. If Clients request that a Supervised Person assist them in implementing the recommendations in a financial plan, the Supervised Person, in [his/her] capacity as an insurance agent, may suggest insurance products, which will generate commissions to them.

Most of GIA's Supervised Persons can place insurance as brokers through many insurance companies. Supervised Persons often access these insurance products independently through LPL's insurance network or through other agencies unaffiliated with GIA or LPL. Even though insurance products are not included in an advisory program, Clients are advised that some of these insurance carriers pay allowances and benefits to some of the agents and brokers (which include trips, training support, educational conferences among other benefits), which vary considerably from year-to-year. All these allowances and benefits are customary in the industry and are in addition to the commissions generated on insurance sales and are based on the volume of business they conduct on an annual basis. Although this arrangement creates a conflict of interest and incentivizes Supervised Persons to recommend that Clients use insurance carriers which provide higher compensation, Supervised Persons who sell insurance recommend insurance carriers based on what they believe is appropriate for the Client.

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

Not applicable. Neither GIA nor any of its Supervised Persons accept performance-based fees.

#### **Item 7. Account Requirements and Types of Clients**

GIA's Clients are primarily individuals, high net worth individuals, corporations and businesses, pension and profit-sharing plans, and charitable organizations.

##### **Minimum Account Size**

GIA's primary types of managed account Programs have minimum account value ranges from \$0 to \$100,000, depending on the specific Program or third-party money manager utilized as described in Item 4 above. In certain instances, a lower minimum for the Program will be permitted.

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

##### **Methods of Analysis and Investment Strategies**

Clients are managed independently by portfolio managers (IARs) and IARs are under no obligation or requirement to buy or sell the same investments for accounts, even when the

investment strategy may be similar. Given the number of IARs providing advice at GIA, the methods of analysis, investment strategies and investment selections will vary based upon the individual IAR providing the advice. IARs may conduct their own research and due diligence when making a securities recommendation. Several tools available to IARs include (i) LPL's Research Department; (ii) WealthVision; (iii) Black Diamond, (iv) Morningstar; (v) Riskalyze; (vi) financial publications; (vii) third-party research; and (viii) other sources to construct portfolios and research track records and fundamentals regarding the investments recommended.

Clients should be aware that while LPL's Research Department makes recommendations regarding asset allocation, mutual funds and money managers, IARs may or may not follow these recommendations in providing investment advice.

While IARs recommend investment advisory Programs based on what they believe is appropriate for the Client, a conflict of interest exists for the IAR to recommend Programs offered through LPL because more times than not, a percentage of the fee payout to the IAR is the same or higher than programs offered through other custodians. GIA does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a Client's assets).

IAR investment strategies involve certain risks. There can be no assurance that any particular strategy will be successful in achieving the Client's investment goals and objectives. The material risk for any strategy under an IAR's advice is the risk of loss of principal investment value. Each method of analysis an IAR undertakes requires subjective assessments and decision-making by experienced investment professionals.

### **General Risks**

Although IARs consider many risks before recommending a security or investment manager to Clients (or investing on their behalf), there are a myriad of circumstances that may cause investments to lose value. An IAR's assessment of any investment manager or security's likely future performance is inherently a prediction and it is subject to uncertainty and risk that the outlook might prove wrong. An outcome contrary to what the IAR anticipated may arise from a number of factors, such as an erroneous assessment of the value offered by the

investment manager/security, a change in strategy by the selected manager, market changes, unanticipated changes to interest rates or the tax code, among others.

GIA does not create, manufacture or recommend any particular type of security; rather, IARs invest in and recommend securities they believe to be appropriate for the Client based on an understanding of the Client's investment objectives and risk tolerance. Summarized below are specific risks broadly relating to the types of securities GIA primarily invests in for Client accounts; however, securities may be the subject of additional risks specific to that security or issuer. Clients are strongly encouraged to review the prospectus disclosures and offering documents relating to the securities held in their portfolios if they have questions, as these documents discuss in more detail the risks relating to the particular product. Clients with additional questions regarding a particular security should contact their IAR.

### **Specific Risks**

Clients participating in any of the offered Programs should understand the underlying securities holdings involve risk and the potential of loss of investment value.

Money markets used are generally considered low risk but are not guaranteed and may be subject to loss and/or change in market value.

Mutual funds and exchange traded products often provide diversification but may be concentrated in a particular asset category or class within a category. Investments in funds impose risk due to exposure to economic forces or factors for which the future is uncertain. Some of these risks are unique to individual funds, but many are common to many funds. A fund's risk depends on how closely its return is coupled with given indexes, the riskiness of each index and how closely the indexes tend to move together.

The level of overall investment market diversification will vary depending on the underlying exposure of the Portfolio's securities. The risk is a function of the underlying asset classes and weighting of the securities. Further, all investment strategies involve risk and the investment performance and success of any strategy cannot be predicted or guaranteed. Past performance should not be used to forecast future result.

When Clients invest in direct investments, such as structured products, market-linked investments and alternative investments, such as non-traded REITs for example, they receive offering documents which identify the specific risk factors associated with those securities and issuers. Some of these types of investments can be speculative in nature and may use leverage or other aggressive investment practices. In some instances, these investments have limited liquidity with no available market price and the underlying properties are valued infrequently. Clients are encouraged to review the specific issuer's disclosure documents for additional risk disclosures.

Similarly, Clients are encouraged to review investment advisory brochures for all third-party managers, official statements for bond offerings and standardized options disclosure documents for additional disclosures on the characteristics and risks of those programs and types of investments.

Investing in securities involves a risk of loss that you, as a Client, should be prepared to bear.

This list of specific risks is not exhaustive. When Clients invest in mutual funds, exchange traded products, unit investment trusts and newly issued municipal bonds, for example, they receive prospectuses, offering documents or official statements which identify the risk factors associated with those securities and issuers. Clients are encouraged to review such disclosure documents. Similarly, Clients are encouraged to review the offering documents for private investments and investment advisory brochures for all third-party managers for additional risk disclosures. Please contact your IAR if you have any questions about the risks related to your investments.

#### **Item 9. Disciplinary Information**

Not applicable. GIA has no legal or disciplinary events to disclose.

#### **Item 10. Other Financial Industry Activities and Affiliations**

##### **LPL Financial**

In most instances, the Firm's Supervised Persons are also registered with LPL as a FINRA



broker-dealer registered representatives. A conflict of interest exists to the extent that Supervised Persons of GIA, in their individual capacities as registered representatives of LPL, recommend Clients utilize the brokerage services of LPL where Supervised Persons receive commissions, concessions, sales charges and/or other transaction fees for brokerage and/or insurance services provided. Clients are in no way required to purchase any product or service through any Supervised Person of GIA in their outside capacities.

As discussed previously, most associated person of GIA are also registered representatives of LPL Financial. As a result of this relationship, LPL may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about GIA's Clients, even if Client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact (908) 719-1313.

#### **Book of Brokers LLC**

Book of Brokers LLC, dba Gladstone Insurance Group, is an affiliate of Gladstone Wealth Group and is licensed as a non-resident producer agency with the New Jersey Department of Banking and Insurance to sell non-variable life, accident and health or sickness, property and casualty insurance. Most of GIA's Supervised Persons can place insurance through Book of Brokers where they receive commissions and other remuneration for their insurance activities. Clients are in no way required to purchase any product or service through any Supervised Person of GIA in their outside capacities.

#### **Gladstone Coverage Group LLC**

Gladstone Coverage Group LLC is an affiliate of Gladstone Wealth Group and is licensed as an insurance agency with the New Jersey Department of Banking and Insurance to sell property and casualty insurance. Most of GIA's Supervised Persons can place insurance through Gladstone Coverage Group where they receive commissions and other remuneration for their insurance activities. Clients are in no way required to purchase any product or service through any Supervised Person of GIA in their outside capacities. .

#### **Other Insurance Brokerage Services**

Most of GIA's Supervised Persons can place insurance as brokers through many insurance companies through agencies unaffiliated with GIA or LPL where they receive commissions and other remuneration for their insurance activities. Clients are in no way required to purchase any product or service through any Supervised Person of GIA in their outside capacities.

### **Private Portfolio Partners LLC**

GIA is a hybrid Registered Investment Advisor ("RIA") of LPL and outsources its Chief Compliance Officer and Supervisors from Private Portfolio Partners LLC ("PPP"), a separate entity and hybrid RIA of LPL. GIA pays a fee for these services to PPP in which PPP assists with the implementation and oversight of GIA's compliance program and performs supervision and oversight from a centralized location.

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

GIA believes it owes Clients the highest level of trust and fair dealing. As part of its fiduciary duty, GIA endeavors to put the interests of its Clients ahead of the interests of the Firm and its personnel. To this end, GIA has adopted a Code of Ethics that emphasizes the high standards of conduct the Firm seeks to observe. GIA personnel are always required to conduct themselves with integrity and follow the principles and policies detailed in the Firm's Code of Ethics.

GIA's Code of Ethics attempts to address specific conflicts of interest it has identified or that could likely arise specific to its business model. GIA personnel are required to follow guidelines in areas such as prohibitions on insider trading, personal securities transactions, conflicts of interest, gifts, confidentiality and privacy, compliance procedures, certification of compliance, training, record keeping and adherence to applicable securities laws.

Clients may request a copy of GIA's Code of Ethics by contacting the Firm's Chief Compliance Officer at (201) 639-7289.

### **Personal Trading Practices**

GIA's Code of Ethics requires "access persons" (as defined by the SEC) to periodically report their personal securities transactions and holdings to the Firm and for designated person(s) to review those reports for improper trades or patterns of trading.

GIA does not maintain "restricted lists", implement "blackout periods" or require prior written approval ("pre-clearance") for personal securities transactions other than initial public offerings ("IPOs") or limited offerings. GIA does not hold or trade securities for its own accounts, although from time to time, IARs may trade in securities for their own accounts that they also trade in Client accounts, and they also trade in different securities that they do not feel are appropriate for certain Clients. The conflict presented in this practice could lead to an IAR purchasing or selling a security and receiving a better price than the Client. GIA conducts risk-based monitoring of such transactions to look for potential conflicts of interest and to ensure that IARs transact Client business before their own when the same securities are being bought or sold in the same trading session.

### **Principal Transactions**

GIA does not execute trades on a principal basis in Program accounts.

### **Cross Transactions**

GIA does not execute cross transactions involving Program accounts.

## **Item 12. Brokerage Practices**

### **Ticket Charges**

Although Clients or IARs do not pay ticket charges (individual transaction charges) in any of the primary asset management Programs, Clients should be aware that each IAR pays a flat fee ("asset-based fee") to GIA which is passed to the custodian to cover transaction and execution costs on a calculation based on the IAR's aggregate regulatory assets under management. IARs pay an asset-based fee regardless of how much or little they trade. The asset-based fee that IARs pay for assets custodied at LPL is less than at other custodians and therefore IARs have economic benefit for recommending Client assets are custodied at LPL. Regardless of where

Client assets are custodied, we believe that this fee structure reduces potential conflicts of interest that may arise with individual ticket/transaction charges that can influence an IAR's decision whether or not to trade an account.

Some custodians offer no transaction fee mutual fund share classes ("NTF funds") that are excluded from an IAR's aggregate regulatory assets under management for asset-based billing purposes. This presents a conflict because there is an economic benefit for the IAR to place Client assets in NTF funds over other fund share classes on the custodian's Platform. To mitigate this conflict, IARs must pay a minimum fee per account regardless of share classes selected. We believe that this fee structure reduces potential conflicts of interest which may arise that can influence an IAR's mutual fund share class selection.

### **Trade Allocation**

Transactions for each Client in the SWM II and Schwab Programs will generally be effected independently and are not "batched". However, IARs do have the option to batch Client trades in these Programs when they determine it is in the best interest of their Clients to do so. When trades are batched, the transactions will be aggregated and averaged as to price and typically will be allocated pro rata among Clients that participated in the batch trade. For trade aggregation practices in connection with MAS, MWP, and OMP Programs, Clients should refer to the investment management agreements they enter into as well as the brochures for the third-party managers selected.

### **Best Execution**

GIA maintains a fiduciary duty to seek the best execution pricing available for Client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction. Rather, it is a collective consideration of factors concerning the trade in question. Such factors include the security being traded, the price of the trade, the speed of the execution, apparent conditions in the market and the specific needs of the Client.

GIA routes order flow to LPL and Schwab, depending on the custodian selected by the Client, and relies on the executing firm's regular and rigorous review of execution quality as permitted

in accordance with FINRA Rule 5310. GIA periodically evaluates the extent to which the executing firms conduct their reviews of execution quality and the degree to which Clients receive best execution and price improvement to ensure the services provided by the executing broker remain competitive and are in the best interest of the Firm's Clients.

### **Soft Dollar Arrangements**

#### **LPL Platform Economic Benefits**

GIA may recommend that Clients establish brokerage accounts with LPL, a registered broker-dealer, member FINRA/SIPC, to maintain custody of Clients' assets and to effect trades for their accounts. The decision to custody assets with LPL is at the discretion of the Client. GIA is independently owned and operated and not affiliated with LPL.

Brokerage transactions are directed to LPL in return for investment research and access to products and services that assist GIA in its investment decision-making process. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because GIA does not have to produce or pay for the products or services.

GIA receives an economic benefit from LPL primarily in the forms of support services, product offerings, loans, and transition assistance. GIA receives support services and access to products from LPL, many of which assist GIA to better monitor and service Program accounts custodied at LPL and elsewhere. Some of the services and products benefit GIA and not Client accounts. These include national, regional or GIA specific educational events organized and/or sponsored by LPL. Other benefits include occasional business entertainment of personnel of GIA by LPL personnel, including meals, invitations to sporting events, and other forms of entertainment, some of which may accompany educational opportunities. Support services and/or products may be received without cost, at a discount, and at a negotiated rate and include investment-related research, pricing information and market data, software and other technology that provide access to Client account data, compliance and/or practice management-related publications, attendance at conferences, meetings and educational events, marketing support, computer hardware and software, and other products and services used by GIA in its investment advisory business operations. LPL provides these services and products to GIA directly or through third-party vendors. In the case of third-

party vendors, LPL may pay for some, all or none of the third-party's fees.

In most instances, GIA's Supervised Persons have received a loan and/or transition payment from LPL in order to assist the Supervised Person, in their capacity as a dually registered person of LPL, with the costs (including foregone revenues during account transition) associated with transitioning business to the LPL custodial platform (referred to as "Transition Assistance"). The proceeds of such transition assistance payments are intended to be used for a variety of purposes, including but not limited to, providing working capital to assist in funding the Dually Registered Person's business, satisfying any outstanding debt owed to the dually registered person's prior firm, offsetting account transfer fees (ACATs) payable to LPL as a result of the dually registered person's Clients transitioning to LPL's custodial platform, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, staffing support and termination fees associated with moving accounts.

The amount of transition assistance payments is often significant in relation to the overall revenue earned or compensation received by the dually registered person at [his/her] prior firm. Such payments are generally based on the size of the dually registered person's business established at [his/her] prior firm and/or assets under custody at LPL.

Transition assistance payments and other benefits are provided to Supervised Persons in their capacity as registered representatives of LPL. However, the receipt of transition assistance by such dually registered persons creates conflicts of interest relating to GIA's advisory business because it creates a financial incentive for Supervised Persons to recommend that its Clients establish their accounts with LPL.

GIA attempts to mitigate these conflicts of interest by evaluating and recommending that Clients use LPL's services based on the benefits that such services provide rather than transition assistance earned by any dually registered person. To the extent GIA recommends Clients custody their accounts at LPL, it is because GIA believes that it is in the Client's best interest to do so based on the quality and pricing of execution, benefits of an integrated platform for brokerage and advisory accounts, and other services provided.

These support services are provided to GIA based on the overall relationship between GIA

and LPL. It is not the result of soft dollar arrangements or any other express arrangements with LPL that involves the execution of Client transactions as a condition to the receipt of products and services. GIA will continue to receive the services regardless of the volume of Client transactions executed with LPL. Clients do not pay more for services as a result of this arrangement. There is no corresponding commitment made by GIA or any other entity to invest any specific amount or percentage of Client assets in any specific securities as a result of the arrangement. However, because GIA receives these benefits from LPL, there is a potential conflict of interest. The receipt of these products and services presents a financial incentive for GIA to recommend that its Clients use LPL's custodial platform rather than another custodian's platform.

#### **Schwab Platform Economic Benefits**

GIA may recommend that Clients establish brokerage accounts with Schwab, a registered broker-dealer, member FINRA/SIPC, to maintain custody of Clients' assets and to effect trades for their accounts. The decision to custody assets with Schwab is at the discretion of the Client. GIA is independently owned and operated and not affiliated with Schwab.

Schwab provides GIA with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors at no charge. Schwab's services generally are available to independent investment advisors at no charge. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab also makes available to GIA other products and services that benefit the Firm but may not benefit its Clients' accounts. These benefits include educational events organized and/or sponsored by Schwab. Other potential benefits may include occasional business entertainment of personnel of GIA by Schwab personnel, including meals, invitations to sporting events, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist GIA in managing and administering Clients' accounts. These include software and other technology (and related technological training) that provide access to Client account data (such as trade confirmations and account

statements), facilitate trade execution (and allocation of aggregated trade orders for multiple Client accounts), provide research, pricing information and other market data, facilitate payment of GIA's fees from its Clients' accounts, and assist with back-office training and support functions, recordkeeping and Client reporting. Many of these services generally may be used to service all or some substantial number of GIA's accounts, including accounts not maintained at Schwab. Schwab also makes available to GIA other services intended to help the Firm manage and further develop its business enterprise. These services include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, and insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to GIA by independent third-parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or part of the fees of a third-party providing these services to GIA.

These support services are provided to GIA based on the overall relationship between GIA and Schwab. It is not the result of soft dollar arrangements or any other express arrangements with Schwab that involves the execution of Client transactions as a condition to the receipt of products and services. GIA will continue to receive the services regardless of the volume of Client transactions executed with Schwab. Clients do not pay more for services as a result of this arrangement.

While, as a fiduciary, GIA endeavors to act in its Clients' best interests, GIA's recommendation/requirement that Clients maintain their assets in accounts at Schwab may be based in part on the benefit to the Firm of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

#### **Oversight Fee for Assets Held Away**

As stated previously, individuals associated with GIA are licensed as registered representatives of LPL Financial. As a result of this licensing relationship, LPL Financial is responsible for supervising certain activities of GIA to the extent GIA manages assets at a broker-dealer and custodian other than LPL Financial. LPL Financial charges a fee for this oversight. This



presents a conflict of interest in that GIA has a financial incentive to recommend that you maintain your account with LPL Financial rather than another custodian in order to avoid the oversight fee. However, to the extent GIA recommends you use LPL Financial for such services, it is because GIA believes that it is in your best interest to do so based on the quality and pricing of the execution, benefits of an integrated platform for brokerage and advisory accounts, and other services provided by LPL Financial.

### **Step-out Trades**

As disclosed under “Other Fees and Expenses”, Clients will be exposed to additional transaction and execution costs, in addition to the wrap fee paid to GIA, because a third-party manager or broker-dealer may “step-out” transactions when those trades are more likely to provide Clients with best execution. In these instances, the additional transaction fee will be reflected in the net price a Client pays or receives in connection with the transaction. As noted throughout, Clients are encouraged to review all documentation provided by third-parties for full and current details regarding their practices.

### **Directed Brokerage**

With respect to services provided pursuant to the SWM II, MAS, MWP and OMP Programs described herein, Clients authorize GIA to use LPL as the broker for trades.

With respect to the Schwab Program described herein, Clients authorize GIA to use Schwab as the broker for trades.

For some third-party manager programs, the executing broker is affiliated with the custodian of the assets. For additional information please refer to the brochure of the third-party manager.

### **Trade Errors**

In the event of a trade error attributable to GIA, the Firm’s policy is to place the Client in the position [he/she] would have been in absent the error unless otherwise directed by the Client. In such cases, the Firm will own any profit or loss resulting from the reversing transactions.

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

IARs review Client accounts on an ongoing basis. IARs meet with Clients to review such items as monthly or quarterly account statements provided by the qualified custodian, quarterly performance information, and other information or data related to the Client's account and investment objective. Additional reviews may be triggered by material market, economic, or political events, or by changes in Client's financial situations, such as retirement, change in employment or marital status, physical move, inheritance or other life events.

Each client will receive written reports from the custodian that detail the Client's positions and activity. Many IARs also provide their Client with periodic performance reports, which may show performance across multiple accounts within a household. Clients are advised to always compare those reports to the ones provided by the qualified custodians, which are the official records of the accounts.

For financial planning, the Client agreement terminates upon delivery of the plan; however, Clients are encouraged to update their financial plans annually. Such annual reviews are conducted at the election of the Client and a new agreement for services between GIA, the Client and the IAR will be required. The review may consist of a new personal financial plan if the Client's circumstances and/or goals have changed. Alternatively, the review may be a comparison of the Client's current assets and goals as stated in the personal financial plan.

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

#### **Client Referrals**

GIA may compensate unaffiliated third-parties for Client referrals to GIA pursuant to a written agreement between GIA and each third-party ("Solicitor Agreement"). The Solicitor Agreement requires the solicitor to deliver to each solicited Client a copy of GIA's then current Brochure, as well as a separate disclosure statement which sets forth the terms of the relationship between GIA and the solicitor. The solicitor will generally be compensated by receiving a portion of the Client fee received by GIA.

In some cases, GIA acts as a solicitor on behalf of a third-party manager and receives a referral fee from the third-party manager. Third-party manager's actively manage the assets on a continuous basis and have discretion to buy, sell and trade securities in accordance with the program selected by the Client. IARs will provide consultative services to assets in third-party manager programs and may recommend periodic rebalancing among third-party manager offerings. Clients are advised to review the investment advisory brochure for any recommended third-party manager.

The primary third-party manager program offered by GIA is AssetMark Inc. (formerly Genworth Financial Asset Management), though other third-party manager programs are available. GIA limits referrals of third-party managers to those where LPL has conducted initial and ongoing due diligence. GIA and its IARs have an incentive to refer Clients to those third-party managers on the platform because they receive a portion of the Client fee received by the third-party manager. GIA addresses this conflict by providing the Client with a disclosure statement explaining the role of GIA, IAR, third-party manager and discloses the fee paid to GIA for Client referrals.

### **Other Compensation**

GIA receives an economic benefit from LPL primarily in the forms of support services, product offerings, loans, and Transition Assistance. Please see Item 12 Brokerage Practices for detailed disclosure of the conditions and potential conflicts of interest.

IARs receive additional compensation from product sponsors. However, such compensation may not be tied to the sales of any products. Compensation includes such items as gifts with a de minimis value, an occasional dinner or ticket to a sporting or entertainment event, or reimbursement in connection with an educational meeting with the IAR, Client workshops or events, marketing events or advertising initiatives. Product sponsors can also pay for, or reimburse GIA for the costs associated with, education or training events that are attended by GIA employees and IARs and for GIA-sponsored conferences and events.

### **GIA Compensation to IAR**

The IAR recommending an advisory service receives compensation from GIA. GIA

compensates IARs pursuant to an independent contractor agreement, and not as an employee. This compensation is based on the amount of Client assets the IAR services and includes a portion of the advisory fee and, such portion received by IAR may be more or less than what IAR would receive at another investment advisor firm.

## **Item 15. Custody**

GIA does not have custody of Client funds or securities except in the limited circumstances detailed below. All Client funds and securities are held by a qualified custodian in accounts identified individually to the Client and will be sent monthly and/or quarterly written summary account statements directly from the qualified custodian that holds and maintains their assets. Any funds being deposited for investment should be payable to the qualified custodian where the account is held, not GIA or one of its IARs. These custodial statements will reflect the account holdings, transactions for the period reported, and any additions and withdrawals from the account, including the withdrawal of GIA's advisory fees. IARs utilize third-party software applications to produce written reports summarizing periodic account activity and performance, which they may provide to their Clients from time to time. Clients are urged to carefully review all custodial statements, compare them to any reports provided by the IAR, and notify the IAR of any discrepancies as soon as possible.

The SEC issued a no action letter ("Letter") with respect to Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 providing guidance on the Custody Rule as well as clarified that an RIA who has the power to disburse Client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. In view of this, GIA has adopted the following safeguards with its qualified custodians:

1. The Client provides an instruction to the qualified custodian in writing, that includes the Client's signature, the third-party's name, and either the third party's address or the third party's account number at a qualified custodian to which the transfer should be directed.
2. The Client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
3. The Client's qualified custodian performs appropriate verification of the instruction, such as signature review or other method to verify the Client's authorization, and

provides a transfer of funds notice to the Client promptly after each transfer.

4. The Client has the ability to terminate or change the instruction to the Client's qualified custodian.
5. The investment adviser has no authority or ability to designate or change the identity of the third party contained in the Client's instruction.
6. The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
7. The Client's qualified custodian sends the Client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

#### **Item 16. Investment Discretion**

The exercise of discretion is noted in the investment management agreements signed by the Client.

GIA accepts discretionary authority to manage securities accounts on behalf of its Clients in its Programs as detailed in the specific Program descriptions under Item 4. IARs and third-party managers (if applicable) that exercise discretion determine the securities to be bought or sold, the amount of securities to be bought or sold, the timing of the purchases and sales of the securities, or managers selected to meet Client objectives.

Clients can place limitations on an IARs discretionary authority including, for example, restrictions on investing in certain securities, industries, security types, issuers, securities with certain credit ratings or limitations on the percentage of cash held at any one time. In order for GIA to assume discretionary authority both the Client and the Firm must sign a contract that explains the discretionary authority and details the restrictions or limitations if any (*i.e.*, Investment Management Agreement"). Clients should be aware that Client restrictions can affect the account's performance and that it may differ from and be less successful than that of other accounts that have not limited discretion.

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

GIA will not request or accept voting authority for Client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all

proxy questions to the issuer of the security.

**Item 18. Financial Information**

Not applicable. GIA does not require or solicit Clients to prepay fees of more than \$1,200 six months or more in advance.