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DBA GLADSTONE WEALTH GROUP**

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**ADV PART 2A, APPENDIX 1  
WRAP FEE PROGRAM BROCHURE**

**March 29, 2019**

This wrap fee program brochure provides information about the qualifications and business practices of Gladstone Institutional Advisory LLC, dba Gladstone Wealth Group (“GIA”, “GWG”, or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at (201) 939-6644.

The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. 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.

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 Wrap Fee Program Brochure from the time of the annual update of the Wrap Fee Program Brochure dated March 30, 2018.

## **Item 4. Services, Fees and Compensation**

### **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.

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

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 9. Additional Information**

### **Other Compensation**

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

### **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. Services, Fees and Compensation**

##### **Services**

Gladstone Institutional Advisory LLC (“GIA” or the “Firm”) offers five (5) primary types of wrap fee programs (“Programs”), which are investment programs wherein the investor pays one stated fee that includes portfolio management, asset allocation, transaction and execution, and preparation of quarterly performance reports. The fees paid to the wrap fee Program will be given to GIA as a management fee.

For all of the assets in its primary Programs, GIA 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 wrap brochure.) For all of the different types of 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.

GIA, and in some instances a third-party manager (if the Client selects one), will exercise discretion in connection with certain advisory programs as described below.

The investment strategies used by GIA vary from client to client, as warranted by the individual circumstances.

Clients are advised to promptly notify GIA 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 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, and/or investment managers that are not affiliated with GIA.

At the present time GIA offers to Clients the Wrap Programs described below.

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

In the SWM II Program, GIA, through its IARs, provides ongoing investment management 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, such as non-traded REITs, 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. Assets in the Program are custodied at LPL Financial, 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 ("MAS")**

In the MAS Program, GIA makes available to IARs and their Clients the investment advisory services and/or model portfolios of third-party portfolio management firms available on the LPL platform. Within the program, LPL, as "Platform Manager," offers two alternatives (i) the Separately Managed Account

Platform (“SMA Platform”); and (ii) the Model Portfolio Platform (“MP Platform”) (collectively “Platforms”). For both Platforms, LPL acts as an investment advisor, serves as the custodian of the assets, provides brokerage and execution services as a broker-dealer on transactions, and performs administrative services, such as quarterly performance reporting to Clients. The IAR assists the Client to determine the Client’s investment objectives and risk/return preferences, to identify any investment restrictions on the management of the account, and, in the case of the SMA Platform, the selection and retention of the SMA Portfolio Manager, or in the case of the MP Platform, the selection and retention of the model portfolio (“Model Portfolio”) provided by LPL’s Research Department or third-party investment advisors (“Model Advisors”). The IAR provides ongoing advice and has discretion on the selection or replacement of third-party managers based on the Client’s individual needs. The Client authorizes the IAR and third-party portfolio management firms to have discretion by executing the Account Agreement and Application.

#### SMA Platform

Under the SMA Platform, the IAR assists the Client to determine the Client’s investment objectives and risk/return preferences, to identify any investment restrictions on the management of the account, and has discretion to select an investment strategy and SMA Portfolio Manager available. The IAR provides the Client with ongoing advice and monitoring relating to the SMA Portfolio Manager’s services and serves as the point of contact between the Client and SMA Portfolio Manager with regards to changes in the Client’s investment objective, financial circumstances and investment restrictions (if any).

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 does not play a role in the selection of securities to be purchased or sold. An SMA Portfolio Manager may hire one or more sub-advisors to manage all or a portion of a Client's account.

#### MP Platform

Under the MP Platform, the IAR assists the Client to determine the Client's investment objectives and risk/return preferences, to identify any investment restrictions on the management of the account, and has discretion to select an investment strategy and model portfolio ("Model Portfolio") provided by LPL's Research Department or third-party investment advisors ("Model Advisors"). The IAR provides the Client with ongoing advice and monitoring relating to the Model Portfolios, is available on an ongoing basis to receive Client instructions and serves as the point of contact between the Client and LPL regarding any changes in the Client's financial circumstances, investment objectives or investment restrictions. The IAR does not play a role in the selection of securities to be purchased or sold. 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 by the Client, 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.

LPL selects and reviews SMA Portfolio Managers and MP Model Advisors for the Platforms 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 generally is required for the MAS Program. 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 the third-party managers utilized under the Program. Clients should refer to their account application package and the third-party manager disclosure brochure for specific information on LPL's management fees and fees imposed by third parties.

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

The MWP Program is a professionally managed mutual fund and ETF asset allocation program in which the IAR and LPL provide ongoing investment advice and management. The IAR obtains the necessary financial data from the Client, assists the Client in determining the suitability of the program and assists the Client in setting an appropriate investment objective. The IAR has discretion to select a model portfolio of funds ("Portfolio") designed by LPL Financial's Research Department, a third-party investment strategist or IAR (each, a "Portfolio Strategist") consistent with the Client's stated investment objective. The IAR provides ongoing advice and has discretion on the selection or replacement of a Portfolio based on the Client's individual needs. The IAR may choose more than one Portfolio to be managed within a single MWP account.

The Portfolio Strategist is responsible for selecting the mutual funds and/or ETFs within a Portfolio and for making changes to the funds selected. LPL has discretion to buy and sell securities in the account according to the Portfolio selected and liquidate previously purchased securities that are transferred into the account. ETNs and closed-end funds may also be purchased in an account. The Client authorizes the IAR and LPL to have discretion by executing the Account



## Agreement and Application.

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.

LPL acts as the overlay portfolio manager (“OPM”) in coordinating the trades in the account and performing tax harvesting services. LPL is expected to closely track the Portfolios, applying discretion only to redress account issues, including rebalancing, tax loss harvesting, tracking error from the Portfolio, customized requests, and investment restrictions placed on the account. LPL as the OPM is responsible for rebalancing accounts in accordance with the allocations in the Portfolio. LPL will review an account to determine if rebalancing is appropriate based on the frequency selected by the Client at account opening or as altered by the Client or the IAR from time to time. The choices for frequency of rebalancing review are quarterly, semiannually or annually. At each rebalancing review date, LPL will rebalance the account only if at least one fund position is outside a pre-determined range, subject to a minimum transaction amount established by LPL in its discretion. In addition, LPL will review an account for rebalancing in the event that the Portfolio Strategist changes the allocation targets.

A minimum account value is required for the MWP Program. 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.

In addition to acting as custodian and investment manager or an OPM to MWP accounts, LPL 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 ("OMP")**

The OMP Program is a professionally managed mutual fund asset allocation program in which IARs have discretion to select a model portfolio of mutual funds ("Portfolio") designed by LPL's Research Department consistent with the Client's investment objectives. The Portfolios are made up of mutual funds in the Optimum Funds mutual fund family. A Portfolio may include up to six Optimum Funds. IARs provide ongoing investment advice and management. The IAR obtains the necessary financial data from the Client, assists the Client in determining the suitability of the program and assists the Client in setting an appropriate investment objective.

LPL has discretion to buy and sell securities in the account and will invest the account based on the Portfolio selected. LPL rebalances accounts based on the allocations in the Portfolio. LPL reviews the account for rebalancing on the frequency selected by the Client at account opening or as altered by the IAR or the Client from time to time. The choices for frequency of rebalancing are quarterly, semi-annually or annually. Accounts are reviewed on the frequency selected based on the anniversary date of account opening, to determine if rebalancing is necessary. At each rebalancing review date, accounts are rebalanced if at least one of the account positions is outside a range determined by LPL, subject to a minimum transaction amount established by LPL in its discretion. In addition, LPL may review the account for rebalancing in the event that PL Research changes the model portfolio.

A minimum account value of \$10,000 is generally 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**

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.

### **Fees and Compensation**

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 service. Clients with assets in MAS, MWP and OMP will also pay fees directly to other parties, such as third-party money manager(s), custodian, and platform manager. These fees are in addition to the fee the Client pays to GIA. Regardless of 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 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 Agreements 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, Clients pay 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.

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.

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 a percentage of the fee payout to the IAR is higher than Programs offered through other custodians.

Since GIA began providing these services, it has had other asset-based fee ranges in effect, which may have been lower or higher 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.

### **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 fund or direct investment which shall be disclosed in the fund's prospectus or issuer's disclosure 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 for 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.

Third-party money 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 all 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 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.

### **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 wrap fees charged by GIA. GIA or its IARs do not directly or indirectly receive any compensation linked to a product’s internal fees.

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 12b-1 fees are retained by the custodian and not 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 particular product fees and expenses.

Clients should understand that mutual fund share classes available on a particular custodian’s platform in many cases will not be the least expensive share class that the mutual fund has available. Share classes are selected by custodians to be included 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 IAR does not share directly or indirectly in any compensation received by custodians for these services.

While GIA endeavors to use the lowest-cost mutual fund 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 share class 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.

## **Item 5. 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. 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. In certain instances, a lower minimum for the Program will be permitted.

## **Item 6. Portfolio Manager Selection and Evaluation**

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, or utilize identical third-party money managers even when the investment strategy may be similar. Given the number of IARs providing advice at GIA, the methods of analysis, investment strategies, investment selections, and selections of third-party managers will vary based upon the individual IAR providing the advice. IARs conduct their own research and due diligence when making a 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 particular 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).

GIA's IARs must meet certain criteria to recommend investment advisory Programs and manage Client assets. These criteria generally require that the IAR (i) have at least two



years financial planning, advisory or brokerage-related experience; (ii) possess a FINRA Series 65 or 66 license or the receipt of certain professional designations, such as a CFA, CFP, ChFC, CIC or PFS; and (iii) have no significant disclosures or disciplinary matters. Since GIA was organized, it has had other IAR portfolio manager criteria in effect, which may have been more or less restrictive, as the case may be, than described above. As new criteria are put into effect, they are generally made applicable only to new IARs, and existing IARs are generally not affected. For more information about the IAR managing the account, Clients should refer to Form ADV Part 2B, Brochure Supplement for the IAR available from the IAR.

GIA does not calculate the performance record of IARs; however, through its custodians, provides Clients with individual quarterly performance information on a time-weighted basis. Performance information is intended to inform clients as to how their investments have performed for a period, both on an absolute basis and compared to leading investment indices.

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 risk of loss. Each method of analysis an IAR undertakes requires subjective assessments and decision-making by experienced investment professionals.

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.

## **Item 7. Client Information Provided to Portfolio Managers**

When a Client selects a third-party manager, GIA provides information about the Client to the third-party manager and custodian, LPL, to ensure the Client's investment objectives are addressed. The Client information sent to unrelated third-party managers and the custodian includes: (i) the investment advisory contract signed by the Client; (ii) current Client account holdings; (iii) certain Client personally identifiable information ("PII"), such as name, address, and tax identification number. The IAR will update this information with the third-party manager on an as-needed basis. LPL maintains separate

agreements with third-party managers offered under the MAS, MWP and OMP Programs. These separate agreements require third-party managers maintain confidentiality of Client information.

## **Item 8. Client Contact with Portfolio Managers**

Clients are permitted and encouraged to contact their IAR at any time with questions about their account. If a Client utilizes a third-party manager, the third-party manager may be contacted through the Client's IAR, who will make arrangements for a consultation. Contact information for your IAR is on the cover page of the IARs Form ADV 2B brochure supplement.

## **Item 9. Additional Information**

### **Disciplinary Information**

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

### **Other Financial Industry Activities and Affiliations**

#### **LPL Financial**

In most instances, the Firm's Supervised Persons are also registered with LPL as FINRA broker-dealer registered representatives<sup>1</sup>. 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.

#### **Book of Brokers LLC & Gladstone Coverage Group LLC**

Book of Brokers LLC is an affiliate of Gladstone Wealth Group and is licensed as a

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

nonresident 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. Additionally, Gladstone Coverage Group LLC is an affiliate of the Company and is also licensed as an insurance agency with the New Jersey Department of Banking and Insurance to sell property and casualty insurance. Certain IARs are licensed to sell such insurance through various companies. Appropriately licensed IARs will receive compensation for the sale of such products. GIA does not supervise these 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. GIA does not supervise these 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.

#### **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 persons(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 traded 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.

### **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, IAR 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.

#### **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.

#### **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. To this end, 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 instructions.

### **Investment Discretion**

GIA accepts discretionary authority to manage securities accounts on behalf of its Clients in its Programs as detailed in the specific Program descriptions. 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.

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

### **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 investment holdings and activity. Many IARs also provide their Clients with periodic



performance reports, which may show performance across multiple accounts within a Client 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.

### **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 that 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 portion of the Client fee received by the third-party manager. Third-party managers actively manage the assets in the account and have discretion to buy and sell securities in accordance with the program selected by the Client. IARs will provide consultative services to assets in third-party managed programs and will meet with Clients periodically and report back to third-party managers any changes to Client goals or objectives. Clients are advised to review the disclosure statement and investment advisory brochure for any recommended third-party manager.

The primary third-party manager programs available to GIA include AssetMark, BNY Mellon, Brinker Capital, CLS Investments, Flexible Plan, Morningstar, Rochdale Investment Management, Symmetry Partners, among others. 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**

### ***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 and 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 Firm-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, or 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. Transition assistance payments and other benefits are provided to Supervised Persons in their capacity as registered representatives of 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.

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. 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.

#### ***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 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, 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 a 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 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.

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.

### **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 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. 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 times than not, a percentage of the fee payout to the IAR is the same or higher than Programs offered through custodians.

### **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.

### **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.

### **Brochure Supplements**

For more information about the IAR managing the account, Clients should refer to the ADV 2 B Brochure Supplement for the IAR, which should have been provided by the IAR along with this Brochure at the time Client opened the account. If the Client did not receive a Brochure Supplement for the IAR, the Client should contact the IAR or GIA at the number included on the cover of this Brochure.