



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

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**ADV PART 2A  
FIRM BROCHURE**

**August 8, 2018**

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's Chief Compliance Officer at (201) 939-6644.

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 30, 2017.

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

Included is a revised description of the scope of investment advisory services offered by Gladstone Institutional Advisory LLC (“GIA” or the “Firm”) including detailed descriptions of the Firm’s four (4) primary types of managed account Programs, including wrap fee Programs, mutual fund asset allocation Programs and advisory Programs offered by third-party money managers as well as financial planning services.

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

#### **Regular Supervisory Management Services Fees**

The Firm’s investment management fee schedule was removed and replaced with a negotiable flat fee to not exceed 2% for regular supervisory management services provided by the investment adviser representative (“IAR”). Included is a revised description of fees, in addition to the negotiated fee with the IAR, applicable to advisory Programs that include professional asset management services provided by third-party money managers and platform managers.

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

Included is a revised description of the scope of other third-party fees and expenses applicable to all Program accounts including but not limited to, custodian fees, platform fees, account maintenance fees, cash management service fees, retirement account fees and termination fees which are separate and distinct from advisory fees charged by GIA.

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

Included is a revised description of internal product fees and expenses applicable to collective investments and direct investments held in Program accounts that are in addition to fees charged for regular supervisory management services.

Included is a description of the types of no load and load waived mutual funds available to IARs to invest in advisory Programs offered through LPL Financial’s Platform and clarification that offered shares in many cases will not be the least expensive share class made available.

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

Included is a revised description of methods of analysis to clarify that Client accounts are managed independently by IARs who are under no obligation to buy or sell the same investments for accounts, even when the investment strategy may be similar and that the material risk for any strategy under an IAR's advice is risk that investments will lose value.

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

Included is a disclosure that GIA outsources its Chief Compliance Officer and Supervisor for a fee through Private Portfolio Partners LLC, a separate entity.

**Item 12. Brokerage Practices**

Included is a description of GIA's arrangement with LPL regarding IAR's payment of a flat fee, based on an IAR's total regulatory assets under management, to cover Program transaction and execution costs (*i.e.*, ticket charges).

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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 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 independently. Some IARs operate under other business names (“doing business as” or “DBAs”). For a 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).

In most instances, GIA’s Supervised Persons are also registered with LPL Financial (“LPL”)<sup>1</sup> as a Financial Industry Regulatory Authority (“FINRA”) broker-dealer registered representative. GIA is a separate entity and unaffiliated with LPL. In view of this arrangement, Supervised Persons may be able to offer a Client investment advisory services through GIA 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.

Each advisory account at the Firm is managed by one or more IARs who serve as the primary

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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/>.

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, 2017, GIA had \$567,235,388 in regulatory assets under management, all of which was managed on a discretionary basis.

### **Types of Advisory Services**

GIA offers four (4) primary types of managed account programs, including wrap fee programs, mutual fund asset allocation programs, and advisory programs offered by third-party investment advisor firms as well as financial planning services.

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.

Clients are advised to promptly notify the Firm 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 the Firm.

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

### **1. Strategic Wealth Management II (“SWM II”)**

In the SWM II Program, GIA, through its IARs, provides ongoing investment advice and management on assets in the Client’s account. IARs provide advice on the purchase and sale of various types of investments, such as mutual funds, unit investment trusts (“UITs”), closed-end funds, exchange-traded funds (“ETFs”), exchange-traded notes (“ETNs”), equities, options, fixed income securities, business development companies (“BDCs”), private equity, real estate investment trusts (“REITs”); and other securities including cash balances.

IARs provide advice that is 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, which is unaffiliated with GIA. Clients can refer to their account application package for specific information on LPL’s custody fees. If direct investments (*e.g.*, hedge funds, non-traded REITs) 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 offered 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” and collectively “Platforms”). In connection with the 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”).

### **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 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 provides ongoing discretionary investment advice 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 deems 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 and LPL do not play a role in the selection of particular securities to be purchased or sold. A 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 in setting an appropriate investment objective and selecting a 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. 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 particular 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. 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. Clients should refer to their account application package 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 selects 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 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.

Other than the IAR and LPL, 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 closely tracks the Portfolios, applying discretion only to redress particular account issues, including tax rebalancing, 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.

The IAR or Client can request LPL to perform tax harvesting. In such case, proceeds of tax-related transactions may be held in cash until appropriate wash sale periods have expired. Once the wash sale period has expired, the related proceeds will be invested according to the current targeted allocation for the Portfolio. In addition, LPL may delay placing rebalancing transactions for non-retirement accounts by a number of days, to be determined by LPL, in an attempt to limit short-term tax treatment for any position being sold. Under certain conditions, LPL also will accommodate requests for all or a portion of an account to remain allocated to cash for a period of time.

A minimum account value is generally 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 an OMP, 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 (“OMP”)**

The OMP Program is a professionally managed mutual fund asset allocation program in which IARs 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 as described below. 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.

LPL may accommodate requests by Client or IAR for all or a portion of the assets in the account to remain allocated to cash for a period of time. Such customized Portfolio requests, liquidation requests in connection with withdrawals, and changes to the Portfolio or investment objective selected may take up to 5 business days to process, and, in certain circumstances, may take longer. LPL invests deposits in an account according to the Portfolio, but such deposits (or a portion thereof) may be liquidated and the proceeds may remain in cash until certain conditions are met related to trade size and positive deviation

from the target allocation. Although OMP accounts are not considered tax efficient or tax managed, LPL may delay placing transactions on non-retirement accounts by one day for any rebalancing scheduled to occur on the first one year anniversary date of the account opening in an attempt to limit short-term tax treatment for any position being sold.

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. Financial Planning**

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 the financial plan 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.

In performing financial planning services, GIA is not required to verify any information received from the Client or from the Client's other professionals (attorneys, accountants, etc.) and is expressly authorized to rely on such information. 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 plan, the investment advisory relationship terminates for Clients who have engaged GIA as investment advisor for the limited purpose of producing a financial plan.

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 Financial and they may act in their capacities as registered representatives and/or insurance agents. 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.

Clients or GIA may terminate an advisory program at any time by providing notice of such election to the other party.

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.

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

In its provision of investment advice and asset management, GIA utilizes various types of investments, such as mutual funds, UITs, closed-end funds, ETFs, equities, options, fixed income securities, BDCs, private equity, REITs, and other securities as well as cash balances.

The Firm offers the same suite of services to all of 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 the Firm 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 end 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, such as non-traded REITs, hedge funds, etc., 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 an 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.

### **Wrap Fee Programs**

GIA participates in wrap fee programs and mutual fund asset allocation 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 provides continuous and regular supervisory or management services to investments in the wrap fee program. The fees paid to the wrap program will be given to GIA as a management fee. Other parties may also receive a portion of the Client's overall management fee. For example, a program can allow the IAR to select one or more other portfolio managers. Each portfolio manager selected for the Client receives a portion of the Client's fee for managing a portion of the Client's selected assets. If there is little or no trading activity in the account, it is possible a Client may pay more in advisory fees than commission charges if the account was a non-managed account.



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**

### **Regular Supervisory or Management Services Fees**

When a Client engages GIA and IAR to provide regular supervisory or management services (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 with assets with 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. Clients may negotiate fees for the IAR's services. Clients should be aware that if there is little or no trading activity in the account, it is possible 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 Program 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 agreements between GIA and the Client in conjunction with separate agreements directly between the Client and third-party money manager and custodian and platform 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 ranges 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 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 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.

Clients are advised to review the Investment Advisory Brochures and applications/contracts/agreements with applicable third-party managers and platform manager 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 account or custodian, please contact your IAR.

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

Clients are responsible for the payment of all third-party fees (including but not limited to custodian fees, platform fees, account maintenance fees, cash management service fees, retirement account fees, termination fees), which are separate and distinct from advisory fees charged by GIA and do not offset the fees charged. The custodian for third-party managers may impose other charges. 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, ETFs, ETNs and UITs and direct investments, such as structured products, market-linked investments and alternative investments, such as non-traded REITs, hedge funds, etc., 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, redemption fees, 12b-1 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 particular share classes of mutual funds, which shares may be liquidated after being transferred, they may also incur contingent deferred sales charges (CDSC) from the mutual fund company. GIA and IARs do not receive a portion of any 12b-1 fees or other internal fees charged to Clients on mutual fund holdings or any other holdings in any Program accounts. Most mutual funds available in the Programs may be purchased directly. 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 products.

GIA has available for purchase, through its primary custodian, LPL, 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. Clients should further understand that IARs can select more expensive share classes available on the Platform when a lower-cost share class is available for the same fund. All sales loads and 12b-1 fees are retained by LPL and not paid to GIA or IAR and are not credited to Clients' advisory accounts.

Clients should understand that the Platform Share class offered for a particular mutual fund through a Program in many cases will not be the least expensive share class that the mutual fund makes available. Platform Share classes are selected and made available by LPL in certain cases because the share class pays LPL compensation for the administrative and record keeping services LPL provides to the mutual fund. GIA or IAR does not share in any compensation received by LPL for these services. Clients should also be aware that for accounts where LPL serves as the custodian, GIA is limited to offering available on the LPL Platform.

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, if available, and endeavors to offer Clients the lowest eligible share class. Even so, GIA 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.

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

Most of GIA's Supervised Persons are also registered with LPL as a FINRA broker-dealer registered representative. 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 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.

GIA's Supervised Persons that are licensed as registered representatives of LPL are subject to regulations that restrict them from conducting securities transactions away 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 services and investment vehicles that may be available through other broker/dealers and custodians.

As part of a financial plan, a Supervised Person may recommend changes to a Client's insurance coverage. If Clients request their 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 have the ability to 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. Even though insurance products are typically 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 of 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**

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).

## **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. GIA's primary types of managed account Programs have minimum account value ranges from \$0 to \$100,000, depending on the Program. 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 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) Morningstar; (iv) Riskalyze; (v) financial publications; and (vi) 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.

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.

### **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. 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, ETFs and ETNs 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. Thus, a U.S. stock fund will typically move to a greater or lesser extent with the overall U.S. stock market. 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. 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 direct investments, such as structured products, market-linked investments and alternative investments, such as non-traded REITs, hedge funds, for example, they receive offering documents 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 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**

GIA has not been involved in any legal or disciplinary events that are material to a Client's evaluation of its advisory business or the integrity of management.

#### **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 representative. 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 representative of GIA in their outside capacities.



### **Book of Brokers LLC**

Book of Brokers LLC 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. 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. Clients are in no way required to purchase any product or service through any representative 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 Supervisor through 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 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 required to conduct themselves with integrity at all times 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. 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 associated persons are not permitted to acquire beneficial ownership of any securities in an initial public offering ("IPO") or purchase any private placements without the prior written approval of GIA's Chief Compliance Officer. GIA does not require pre-clearance for personal securities transactions other than IPOs or private placements.

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 in advance of or on the opposite side of the market from a Client and receiving a better price. GIA monitors such transactions to look for potential conflicts of interest and to ensure that representatives of GIA transact Client business before their own when the same securities are being bought or sold at the same time.

### **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 do not pay ticket charges (transaction charges) in any of the primary asset management Programs, Clients should be aware that each IAR pays a flat 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 a flat fee regardless of how much or little they trade. We believe that this fee structure reduces potential conflicts of interest that may influence an IAR's decision whether or not to trade an account.

### **Trade Allocation**

Transactions for each Client generally will be effected independently. IARs combine or "batch" Client trades when they determine it is in the best interest of their Clients to do so. When trades are batched, the transactions will be averaged as to price and typically will be allocated pro rata among Clients that participated in the batch trade.

### **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's primary objective when placing orders for the purchase and sale of securities for Client accounts is to obtain the most favorable net results taking into account such factors as price, size of order, difficulty of execution and broker skill. Based on these criteria, the Firm may not necessarily pay the lowest commission or commission equivalent, as specific transactions involve specialized services on the part of the broker.

GIA routinely routs order flow to LPL and relies on the executing broker's regular and rigorous best execution review as permitted in accordance with FINRA Rule 5310. GIA periodically evaluates the extent 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**

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 support services and access to products from LPL, many of which assist GIA to better monitor and service program accounts custodied at LPL; however, some of the services and products benefit GIA and not Client accounts. These 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.

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.

### **Directed Brokerage**

With respect to services provided pursuant to the Programs described herein, Clients generally authorize GIA to use LPL as the broker for trades. A Client may, however, direct GIA to use another broker. By directing brokerage away from LPL, GIA may not be able to achieve most favorable execution of Client transactions and will result in higher costs to the Client. Additionally, transactions for a Client that has requested that GIA use a particular broker-dealer may not be commingled or “batched” for purposes of execution with orders for the same securities for other accounts managed by GIA. Accordingly, the request by a Client to use a particular broker-dealer to execute transactions for [his/her] account may result in higher commissions, greater spreads, or less favorable net prices.

### **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.

### **Transition Assistance**

In most instances, GIA’s Supervised Persons have received a loan and/or transition payments 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 are 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 particular 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.

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

For customized advisory services, IARs review Client accounts on an ongoing basis to provide management services. 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. In addition, GIA reviews Client accounts using risk-based criteria such as trading activity and concentration. The Chief Compliance Officer of GIA oversees the process for reviewing customized advisory 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.

##### **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 valued at less than \$100 annually, 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 has entered into referral agreements with independent third-party investment advisers, pursuant to which GIA and IARs receive referral fees from the third party investment advisors in return for referral of Clients. GIA can refer Clients to such firms as AssetMark, BNY Mellon, Brinker Capital, CLS Investments, Flexible Plan, Morningstar, Rochdale Investment Management, Symmetry Partners, among others. Referrals to certain third party investment advisers are subject to restrictions imposed by LPL. Because GIA is paid by the third-party

investment adviser for the referral, any recommendation regarding a third-party investment adviser as part of a referral presents a conflict of interest. GIA addresses this conflict by providing the Client with a disclosure statement explaining the role of GIA and its IAR, and the referral fee received by GIA and IAR.

### **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.

### **Item 15. Custody**

GIA does not have custody of Client funds or securities. All Client assets are maintained with an independent qualified custodian. GIA will only implement its investment management recommendations after the Client has arranged for and furnished GIA with all information and authorization regarding its accounts held at a qualified custodian.

Clients are provided with written transaction confirmation notices and monthly and/or quarterly written summary account statements directly from the qualified custodian that holds and maintains their assets. 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.

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

GIA accepts discretionary authority to manage securities accounts on behalf of its Clients. Clients can place limitations on this 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. Clients should also be aware that investment guidelines sometimes do not anticipate every investment scenario and can therefore sometimes be open to multiple interpretations. In such circumstances, GIA will use its best efforts to interpret the investment guidelines in a manner that is consistent with a Client’s investment goals and such interpretation will govern the management of the account.

GIA also provides advisory services on non-discretionary basis upon the client’s written request.

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

GIA will not request or accept voting authority for Clients. 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.