

# Gladstone Institutional Advisory LLC Wrap Fee Program Brochure

*This wrap fee program brochure provides information about the qualifications and business practices of Gladstone Institutional Advisory LLC. If you have any questions about the contents of this brochure, please contact us at (908) 719-1313 or by email at: [Robert.Hudson@gladstonewealth.com](mailto:Robert.Hudson@gladstonewealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Gladstone Institutional Advisory LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Gladstone Institutional Advisory LLC's CRD number is 250787.*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

Gladstone Institutional Advisory LLC has not yet filed an annual updating amendment to this Wrap Fee Program Brochure. Therefore there are no material changes to this brochure to report.

## Item 3: Table of Contents

Item 1: Cover Page	
Item 2: Material Changes.....	i
Item 3: Table of Contents.....	ii
Item 4: Services Fees and Compensation .....	4
A. Description of Services .....	4
B. Contribution Cost Factors .....	4
C. Additional Fees .....	5
D. Compensation of Client Participation .....	5
Item 5: Account Requirements and Types of Clients .....	5
Item 6: Portfolio Manager Selection and Evaluation.....	5
A. Selecting/Reviewing Portfolio Managers .....	5
Standards Used to Calculate Portfolio Manager Performance .....	6
Review of Performance Information.....	6
B. Related Persons .....	6
C. Advisory Business .....	6
Wrap Fee Portfolio Management .....	6
Performance-Based Fees and Side-By-Side Management.....	7
Services Limited to Specific Types of Investments .....	7
Client Tailored Services and Client Imposed Restrictions.....	7
Wrap Fee Programs.....	7
Amounts Under Management.....	7
Methods of Analysis and Investment Strategies.....	8
Fundamental analysis .....	8
Technical analysis.....	8
Cyclical analysis.....	8
Material Risks Involved.....	8
Fundamental analysis .....	8
Technical analysis.....	8
Cyclical analysis.....	8

Risks of Specific Securities Utilized .....	8
Voting Client Proxies .....	11
Item 7: Client Information Provided to Portfolio Managers .....	11
Item 8: Client Contact with Portfolio Managers.....	11
Item 9: Additional Information .....	11
A.    Disciplinary Action and Other Financial Industry Activities.....	11
Criminal or Civil Actions .....	11
Administrative Proceedings.....	11
Self-regulatory Organization Proceedings.....	11
Registration as a Broker/Dealer or Broker/Dealer Representative.....	12
Registration as a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor .....	12
Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests..	12
Selection of Other Advisors or Managers and How This Adviser is compensated for Those Selections.....	12
B.    Code of Ethics, Client Referrals, and Financial Information .....	12
Code of Ethics .....	12
Recommendations Involving Material Financial Interests .....	13
Investing Personal Money in the Same Securities as Clients .....	13
Trading Securities At/ Around the Same Time as Clients' Securities .....	13
Frequency and Nature of Periodic Reviews and Who Makes Those Reviews .....	13
Factors That Will Trigger a Non-Periodic Review of Client Accounts .....	13
Content and Frequency of Regular Reports Provided to Clients .....	13
Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes).....	14
Compensation to Non - Advisory Personnel for Client Referrals .....	14
Balance Sheet.....	14
Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients.....	14
Bankruptcy Petitions in Previous Ten Years .....	14

## Item 4: Services Fees and Compensation

Gladstone Institutional Advisory LLC (hereinafter “Gladstone Institutional Advisory”) offers the following services to advisory clients:

### A. Description of Services

Gladstone Institutional Advisory participates in and sponsors wrap fee programs, which means Gladstone Institutional Advisory will wrap third party fees (i.e., custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.) for wrap fee portfolio management accounts. Gladstone Institutional Advisory will charge clients one fee, and pay all transaction fees using the fee collected from the client. Accounts participating in the wrap fee program are not charged higher advisory fees based on trading activity, but clients should be aware that Gladstone Institutional Advisory has an incentive to limit trading activities for those accounts since the firm absorbs those transaction costs.

Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange traded fund, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

The fee schedule is set forth below:

Total Assets Under Management	Annual Fee
\$0 - \$100,000	2.00%
\$100,001 - \$250,000	1.75%
\$250,001 – \$500,000	1.45%
\$500,001 - \$750,000	1.15%
\$750,001 - \$1,000,000	1.00%
\$1,000,001 – And Up	Negotiable

These fees are negotiable depending upon the needs of the client and complexity of the situation and the final fee schedule is attached as Exhibit II of the client contract. Gladstone Institutional Advisory uses the last day of previous quarter for purposes of determining the market value of the assets upon which the advisory fee is based.

Advisory fees are billed or withdrawn directly from the client’s accounts with client written authorization. Fees are paid quarterly in advance including any fees billed in arrears. Refunds are given on a prorated basis, based on the number of days remaining in the billing period on the effective date of termination. The fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the billing period up to and including the effective date of termination. (\*The daily rate is calculated by dividing the annual fee by 360). Clients may terminate the contract at any time with written notice.

## **B. Contribution Cost Factors**

The program may cost the client more or less than purchasing such services separately. There are several factors that bear upon the relative cost of the program, including the trading activity in the client's account, the adviser's ability to aggregate trades, and the cost of the services if provided separately (which in turn depends on the prices and specific services offered by different providers).

## **C. Additional Fees**

Clients who participate in the wrap fee program will not have to pay for transaction or trading fees. However, clients are still responsible for all other account fees, such as annual IRA fees to the custodian, transition fees if the account is moved to another broker, or mutual fund fees.

## **D. Compensation of Client Participation**

Neither Gladstone Institutional Advisory, nor any representatives of Gladstone Institutional Advisory receive any additional compensation beyond advisory fees for the participation of client's in the wrap fee program. However, compensation received may be more than what would have been received if client paid separately for investment advice, brokerage, and other services. Therefore, Gladstone Institutional Advisory may have a financial incentive to recommend the wrap fee program to clients.

# **Item 5: Account Requirements and Types of Clients**

Gladstone Institutional Advisory generally provides its wrap fee program services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Trusts, Estates, or Charitable Organizations
- ❖ Corporations or Business Entities

There is no account minimum.

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

## **A. Selecting/Reviewing Portfolio Managers**

Gladstone Institutional Advisory will not select any outside portfolio managers for management of this wrap fee program. Gladstone Institutional Advisory will be the sole portfolio manager for this wrap fee program.

## ***Standards Used to Calculate Portfolio Manager Performance***

Gladstone Institutional Advisory will use industry standards to calculate portfolio manager performance.

## ***Review of Performance Information***

Third party reviews the performance information to determine and verify its accuracy and compliance with presentation standards. The performance information is reviewed quarterly and is reviewed by third party advisor.

## **B. Related Persons**

Gladstone Institutional Advisory and its personnel serve as the portfolio managers for all wrap fee program accounts. This is a conflict of interest in that no outside adviser assesses Gladstone Institutional Advisory's management of the wrap fee program. However, Gladstone Institutional Advisory addresses this conflict by acting in its clients' best interest consistent with its fiduciary duty as sponsor and portfolio manager of the wrap fee program.

## **C. Advisory Business**

Gladstone Institutional Advisory offers portfolio management services to its wrap fee program participants as discussed in Section 4 above.

## ***Wrap Fee Portfolio Management***

Gladstone Institutional Advisory offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Gladstone Institutional Advisory creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Portfolio management includes, but is not limited to, the following:

- Investment strategy
- Personal investment policy
- Asset allocation
- Asset selection
- Risk tolerance
- Regular portfolio monitoring

Gladstone Institutional Advisory evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Portfolio management accounts participating in the wrap fee program will not have to pay for transaction or trading fees. Gladstone Institutional Advisory will charge clients one fee, and pay transaction fees using the advisory fee collected from the client. Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange traded fund, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Accounts participating in the wrap fee program are not charged higher advisory fees based on trading activity, but clients should be aware that Gladstone Institutional Advisory has an incentive to limit trading activities for those accounts since the firm absorbs those transaction costs. To address this conflict, Gladstone Institutional Advisory will always act in the best interest of its clients consistent with its fiduciary duty as an investment adviser.

### ***Performance-Based Fees and Side-By-Side Management***

Gladstone Institutional Advisory does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

### ***Services Limited to Specific Types of Investments***

Gladstone Institutional Advisory generally utilizes a combination of largely fundamental, technical and cyclical methods of analysis, while relying heavily on various elements of Modern Portfolio Theory (“MPT”).

### ***Client Tailored Services and Client Imposed Restrictions***

Gladstone Institutional Advisory offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client’s current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent Gladstone Institutional Advisory from properly servicing the client account, or if the restrictions would require Gladstone Institutional Advisory to deviate from its standard suite of services, Gladstone Institutional Advisory reserves the right to end the relationship.

### ***Wrap Fee Programs***

Gladstone Institutional Advisory sponsors and acts as portfolio manager for this wrap fee program. Gladstone Institutional Advisory manages the investments in the wrap fee program, but does not manage those wrap fee accounts any differently than non-wrap fee accounts. The fees paid to the wrap account program will be given to Gladstone Institutional Advisory as a management fee.

### ***Amounts Under Management***

Gladstone Institutional Advisory has the following assets under management:

Discretionary Amounts:	Non-Discretionary Amounts:	Date Calculated:
\$ 287,500,000	\$0	February 28.2017



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

Partners' methods of analysis include charting analysis, fundamental analysis, technical analysis, cyclical analysis, and modern portfolio theory.

***Fundamental analysis*** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

***Technical analysis*** involves the analysis of past market data; primarily price and volume.

***Cyclical analysis*** involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

***Modern portfolio theory*** is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets.

Gladstone Institutional Advisory' investment philosophy embraces the fundamental premise of MPT while incorporating both strategic and tactical asset allocation, as it seeks to deliver optimal risk-adjusted returns. The Firm diversifies client portfolios among a multitude of asset classes by utilizing a combination of third- party *Independent Managers*, mutual funds, ETFs, and individual stocks and bonds, in an effort to help reduce portfolio volatility.

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

### ***Material Risks Involved***

***Fundamental analysis*** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

***Technical analysis*** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

***Cyclical analysis*** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles these investors are trying to exploit.

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

### ***Risks of Specific Securities Utilized***

Investing in securities involves the risk of loss. Clients should be prepared to bear potential loss.

### Market Risks

The profitability of a significant portion of Gladstone Institutional Advisory's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Gladstone Institutional Advisory will be able to predict those price movements accurately.

### Mutual Funds and Exchange-Traded Funds (ETFs)

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their *pro rata* NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### Options

Options allow investors to buy or sell a security at a contracted strike price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge against potential losses or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase or decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Use of Independent Managers*

Gladstone Institutional Advisory may recommend the use of *Independent Managers*. In these situations, Gladstone Institutional Advisory continues to do ongoing due diligence of such managers, but such recommendations rely to a great extent on the *Independent Managers'* ability to successfully implement their investment strategies. In addition, Gladstone Institutional Advisory generally may not have the ability to supervise the *Independent Managers* on a day-to-day basis.

### *Use of Private Collective Investment Vehicles*

Gladstone Institutional Advisory recommends that certain clients invest in privately placed collective investment vehicles (e.g., hedge funds, private equity funds, etc.). The managers of these vehicles have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. Clients should consult each fund's private placement memorandum and/or other documents explaining such risks prior to investing.

### *Real Estate Investment Trusts (REITs)*

Gladstone Institutional Advisory may recommend an investment in, or allocate assets among, various real estate investment trusts ("REITs"), the shares of which exist in the form of either publicly traded or privately placed securities. REITs are collective investment vehicles with portfolios comprised primarily of real estate and mortgage related holdings. Many REITs hold heavy concentrations of investments tied to commercial and/or residential developments, which inherently subject REIT investors to the risks associated with a downturn in the real estate market. Investments linked to certain regions that experience greater volatility in the local real estate market may give rise to large fluctuations in the value of the vehicle's shares. Mortgage related holdings may give rise to additional concerns pertaining to interest rates, inflation, liquidity and counterparty risk.

### *Management through Similarly Managed "Model" Accounts*

Gladstone Institutional Advisory manages certain accounts through the use of similarly managed "model" portfolios, whereby the Firm allocates all or a portion of its clients' assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients' net after tax gains. While the Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions affected pursuant to a model investment strategy are usually done without regard to a client's individual tax ramifications. Clients should contact Gladstone Institutional Advisory if they experience

a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

***Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.***

### ***Voting Client Proxies***

Gladstone Institutional Advisory will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

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

All client information material to managing the portfolio (including basic information, risk tolerance, sophistication level, and income level) is provided to the portfolio manager. The portfolio manager will also have access to that information as it changes and is updated.

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

Gladstone Institutional Advisory places no restrictions on client ability to contact its portfolio managers. Partners' representative, First Middle Last can be contacted during regular business hours and contact information is on the cover page of First Middle Last's Form ADV Part 2B brochure supplement.

## **Item 9: Additional Information**

### **A. Disciplinary Action and Other Financial Industry Activities**

#### ***Criminal or Civil Actions***

There are no criminal or civil actions to report.

#### ***Administrative Proceedings***

There are no administrative proceedings to report.

#### ***Self-regulatory Organization Proceedings***

There are no self-regulatory organization proceedings to report.

### ***Registration as a Broker/Dealer or Broker/Dealer Representative***

Certain of the Firm's *Supervised Persons* are also investment adviser representatives and registered representatives of *LPL*, a dually- registered investment adviser and broker/dealer. A conflict of interest exists to the extent that Gladstone Institutional Advisory recommends clients utilize the investment advisory services of *LPL* where one of its *Supervised Persons* is entitled to receive a portion of the investment advisory fees or other additional compensation.

### ***Registration as a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor***

Neither Gladstone Institutional Advisory nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor.

### ***Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests***

Certain of the Firm's *Supervised Persons* are licensed insurance agents and in such capacity may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. A conflict of interest exists to the extent that Gladstone Institutional Advisory recommends the purchase of insurance products where one of its *Supervised Person* receives insurance commissions or other additional compensation. Gladstone Institutional Advisory seeks to ensure that all recommendations are made in the best interests of clients regardless of any additional compensation earned.

### ***Selection of Other Advisors or Managers and How This Adviser is compensated for Those Selections***

Gladstone Institutional Advisory does not utilize nor select other advisors or third party managers. All assets are managed by Gladstone Institutional Advisory's management.

<b>B. Code of Ethics, Client Referrals, and Financial Information</b>
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#### ***Code of Ethics***

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

### ***Recommendations Involving Material Financial Interests***

Gladstone Institutional Advisory does not recommend that clients buy or sell any security in which a related person to Gladstone Institutional Advisory or Gladstone Institutional Advisory has a material financial interest.

### ***Investing Personal Money in the Same Securities as Clients***

From time to time, representatives of Gladstone Institutional Advisory may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of Gladstone Institutional Advisory to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. Gladstone Institutional Advisory will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### ***Trading Securities At/Around the Same Time as Clients' Securities***

From time to time, representatives of Gladstone Institutional Advisory may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of Gladstone Institutional Advisory to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, Gladstone Institutional Advisory will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### ***Frequency and Nature of Periodic Reviews and Who Makes Those Reviews***

Gladstone Institutional Advisory monitors the portfolios of its investment management clients as part of a continuous and ongoing process, while regular account reviews are conducted at least annually. For those clients to whom Gladstone Institutional Advisory provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. All such reviews are conducted by one or more of Gladstone Institutional Advisory's investment adviser representatives and/or principals. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Gladstone Institutional Advisory and to keep Gladstone Institutional Advisory informed of any changes thereto. Gladstone Institutional Advisory contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in their financial situations and/or investment objectives.

### ***Factors That Will Trigger a Non-Periodic Review of Client Accounts***

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).\

### ***Content and Frequency of Regular Reports Provided to Clients***

Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian.

***Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)***

Gladstone Institutional Advisory does not receive any economic benefit, directly or indirectly from any third party for advice rendered to Private Portfolio Partner's clients.

***Compensation to Non – Advisory Personnel for Client Referrals***

Gladstone Institutional Advisory does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

***Balance Sheet***

Gladstone Institutional Advisory does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

***Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients***

Neither Gladstone Institutional Advisory nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

***Bankruptcy Petitions in Previous Ten Years***

Gladstone Institutional Advisory has not been the subject of a bankruptcy petition in the last ten years.