# Goldstone Financial Group, LLC
# Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Goldstone Financial Group, LLC. If you have any questions about the contents of this brochure, please contact us at (630) 620-9300 or by email at: contactus@goldstonefinancialgroup.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 Goldstone Financial Group, LLC is also available on the SEC's website: www.adviserinfo.sec.gov. Goldstone Financial Group, LLC's CRD number is: 222520.*


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


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# Item 2: Material Changes

The material changes in this Goldstone Financial Group, LLC, (GFG) brochure since the last updated, dated August 18, 2022, are described below. Material changes relate to Goldstone Financial Group, LLC's policies, practices, or conflicts of interests.

- GFG has amended its Assets Under Management

# Item 3: Table of Contents

# Item 4: Advisory Business

## A. Description of the Advisory Firm

Goldstone Financial Group, LLC (hereinafter "GFG") is a Limited Liability Company organized in the State of Illinois. It is a registered investment adviser with the Securities and Exchange Commission.

GFG was formed in November 2008 and the principal owner is Anthony Pellegrino.

## B. Types of Advisory Services

### *Fiduciary Standard*

GFG is a registered investment adviser and is a fiduciary, subject to the Securities and Exchange Commission and the Investment Advisers Act of 1940. As a fiduciary, GFG has an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of its clients by placing the interest of their clients ahead of its own. It is GFG's policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent among its clients on a fair and equitable basis over time. It is the responsibility of GFG to identify, assess, mitigate, and disclose any remaining potential conflicts of interests to its clients in accordance with its fiduciary duty.

### *Portfolio Management Services*

GFG offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. GFG creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels). Portfolio management services include, but are not limited to, the following:

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

GFG 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.

### *Sub-adviser Services and Selection of Other Advisers*

GFG may utilize sub-advisers or recommend clients utilize third-party money managers. Before recommending other advisors for clients, GFG will always ensure those other advisors are properly licensed or registered as investment advisor. GFG offers clients sub-advised portfolios in its wrap fee program, which are managed by separate account managers or through a sub-adviser GFG engages on its behalf and are further described in Item 8A of this brochure: Adhesion Wealth Advisors, Optimus Advisory Group, & Zega Financial, LLC. GFG also maintains a sub-advisory relationship with SHP Wealth Management LLC ("SWML") for accounts custodied with Fidelity Institutional.

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

GFG generally limits its investment advice to mutual funds, fixed income securities, real estate funds (including publicly traded REITs), equities, ETFs (including ETFs in the gold and precious metal sectors), treasury inflation protected/inflation linked bonds and non-U.S. securities. GFG may use other registered securities to help diversify a portfolio when applicable.

## C. Client Tailored Services and Client Imposed Restrictions

GFG offers the same suite of services to all of its clients. However, specific client investment strategies 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). 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 GFG from properly servicing the client account, or if the restrictions would require GFG to deviate from its standard suite of services, GFG reserves the right to end the relationship.

## D. Wrap Fee Programs

GFG participates in wrap fee programs, which are investment programs where the investor pays one stated fee that includes management fees, transaction costs, and other administrative fees. GFG manages the investments in the wrap fee program but does not manage wrap fee accounts any differently than non-wrap fee accounts. Wrap fee accounts may be more or less expensive based on trading activity within your account compared to a non-wrap/transaction fee-based account. Fees paid under the wrap fee program will be billed by GFG as a management fee. Please see our ADV 2A, Appendix 1 (Wrap Fee Brochure) for additional information.

GFG uses the value of the account as of the close of last business day of the billing period, after considering deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based for its wrap programs.

## E. Assets Under Management

GFG has the following assets under management:

| Discretionary Amount: | Non-discretionary Amount: | Date Calculated: |
|---|---|---|
| $ 350,502,564.14 | $ 0 | As of 1/12/2023 |

## F. Financial Planning Consulting

GFG also offers financial planning services on an agreed upon one-time fee or an hourly basis. All fees and terms are outlined in the GFG Financial Planning Agreement.

# Item 5: Fees and Compensation

## A. Fee Schedule

The following are the fee schedules assessed to accounts using Goldstone Financial Group, LLC for portfolio management investment advisory services:

**TD Ameritrade Accounts:**

| TD Ameritrade Standard Transaction-Based Portfolio Management Service Fees | |
|---|---|
| **Total Client Assets Under Advisory Management** | **Total Annual Management Fee** |
| **First $1,000,000** | **1.20%** |
| **Next $1,000,000 to $3,000,000** | **0.90%** |
| **$3,000,000+** | **0.65%** |

| TD Ameritrade Standard Wrap-Based Portfolio Management Service Fees | |
|---|---|
| **Total Client Assets Under Advisory Management** | **Total Annual Management Fee** |
| **First $500,000** | **1.50%** |
| **Next $500,001 to $1,000,000** | **1.20%** |
| **Next $1,000,000+** | **0.95%** |

**Fidelity Accounts:**

| Fidelity Transaction-Based Account Management Service Fees | | | |
|---|---|---|---|
| **Total Client Assets Under Advisory Management** | **Goldstone Annual Management Fee** | **Sub-Adviser Annual Management Fee** | **Total Annual Management Fee** |
| **First $1,000,000** | **0.75-1.05%** | **0.25%-0.55%** | **1.30%** |
| **Next $1,000,000 to $3,000,000** | **0.45-0.75%** | **0.25%-0.55%** | **1.00%** |
| **$3,000,000+** | **0.20-0.50%** | **0.25%-0.55%** | **0.75%** |

Wrap-Based Portfolio Management is only available with GFG with its custodian TD Ameritrade. This will limit the available models and strategies for clients opting to use Fidelity to custody their accounts. For accounts utilizing a wrap-based program, GFG will wrap all fees (i.e., custodian fees, brokerage fees, transaction fees, third-party fees, etc.) within the annual management fee assessed to the client. For any Transaction-Based portfolios the client may be charged trade transaction fees assessed by the custodian directly to the account at the time of the transaction depending on the investment product being traded. In addition, fees assessed by the custodian may also be charged to a Transaction-Based account that would not be charged to a Wrap-Based account. All transaction fees are determined by the custodian's respective fee schedules and available on request. If a client opts to utilize a Transaction-Based portfolio, the client will be responsible for all fees assessed by the custodian directly to the account. Please note, the custodians used by GFG offer reduced transaction fees on certain types of trades to clients who opt to receive trade confirmations and/or monthly statements electronically in lieu of paper copies sent by physical mail. For additional information, please review the custodian's fee schedules and discuss with your representative.

Please note, fees and other expenses are charged by the underlying financial companies and their investment products (ETFs, Mutual Funds, etc.). These products may be used in both the wrap and non-wrap programs. Investors will indirectly bear these fund expenses in addition to the direct management and respective custody fees applicable to each program.

Not all managed allocation models used by GFG are available as a transaction-based managed account. Client should be aware a transaction-based portfolio will be assessed a lower annual management fee compared to wrap-based portfolio management fees, but the total fees charged to the account may be more/less expensive than a wrap-based portfolio when including trading and other custodial costs. Please review all models, expected trading levels, and applicable fees before investing. Management fees differ on each custodian and certain portfolio models are not available on both platforms. Please note, GFG receives different compensation amounts from each custodian and a potential conflict may exist when recommending a custodian. Please review all fees before selecting a custodian.

Certain models recommended by GFG may be managed by third-party money managers or sub-advisers. The use of a money manager or sub-adviser may add to the client's total annual cost. Clients should be aware use of a money manager or sub-adviser is not required and may not be available on a custodian. To determine the added management costs please refer to the money-manager or sub-adviser's respective ADV Part 2 and review with your investment adviser representative.

All fees are negotiable depending upon the needs of the client and complexity of the situation. GFG reserves the right to reduce or waive management fees for a client or an account in select instances. The final fee schedule is included as Exhibit II of the Investment Advisory Contract. Clients may terminate the agreement without penalty for a full refund of GFG's fees within five business days of initial signing of the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract generally with 30 days' written notice.

For purposes of calculating the advisory fee, GFG uses the value of the account as of the end of the last business day of the prior billing period for TD Ameritrade accounts and the average daily closing balance for the prior billing period for Fidelity accounts.

## B. Payment of Fees

### *Payment of Management Fees*

Portfolio management fees are withdrawn directly from the client's accounts with the client's written authorization.

## C. Client Responsibility For Third Party Fees

GFG will wrap third party fees (i.e., custodian fees, brokerage fees, transaction fees, etc.) within the annual management fee assessed to the client. GFG will charge and collect from clients one inclusive management fee to cover all transaction and custodial fees assessed to the account. If client chooses not to participate in a Wrap Fee Program client is responsible for all third-party fees.

## D. Prepayment of Fees

Portfolio management fees are asset-based and are withdrawn directly from the client's accounts with client's written authorization. These management fees are collected on a quarterly basis and the fees are paid in advance.

Initial account fees for the first billing period may be prorated based on the number of days under management. However, the methodology used to calculate these fees will differ between custodians. Accounts held with TD Ameritrade will be billed based on the account value at the time GFG assumes management of the account, with the fees assessed promptly thereafter. For accounts held with Fidelity, all accounts' assets under management initially prorated will be based on the day end value of the account on the day the account is billed, assessed at the first business day of each month. Due to these different calculation methods the amount of the management fees charged may differ for the same advisory services if the account was held at a different custodian used by the firm.

Refunds for any fees paid in advance will be returned on a quarterly basis to the client via check or a deposit returned directly into the client's account. The fee refunded will be equal to the balance of the fees collected in advance minus the daily rate* times the number of days elapsed in the billing period up to and including the day of termination. (*The daily rate is calculated by dividing the annual asset-based fee rate by 365.)

## E. Outside Compensation For the Sale of Securities to Clients

Neither GFG nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

# Item 6: Performance-Based Fees and Side-By-Side Management

GFG does not accept performance-based fees or other fees based on a share of capital gains or capital appreciation of the assets of a client. It is the policy of GFG to seek fair and equitable allocations of all investment opportunities/transactions among its clients to avoid favoring one client over another.

# Item 7: Types of Clients

GFG generally provides advisory services to the following types of clients:

- Individuals
- High-Net-Worth Individuals

### *Minimum Account Size for Portfolio Management*

There is an account minimum of $50,000, which may be waived by GFG in its discretion. Accounts with lower balances may not be eligible for all investment models offered by the firm and/or may not receive the recommended model allocation percentages in holdings that do not allow for fractional shares, which may impact account performance.

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

## A: Investment Strategies

### *Money Managers and Sub-Advisers*

GFG uses the following money managers and sub-advisers within its wrap fee program. These advisers and their most used strategies are listed below. Other advisers and strategies are available and used by GFG. Please consult with your adviser and review the advisers respective ADV Part II and Brochures before choosing any strategy.

Optimus Advisory Group Dynamic Equity ETF Strategy – Seeks to provide investors with the total return normally associated with a mix of equities, while using a proprietary tactical overlay to move the portfolio to cash for downside risk protection. When not in cash, this long-only ETF model can vary its large cap equity investments from 50% to 100% of the portfolio, its mid cap equity investments from 0% to 50%, and its small cap equity investments from 0% to 25% using monthly, bi-monthly, and quarterly rotations.

Optimus Advisory Group Tactical High Yield – Seeks to provide investors with the total return normally associated with High Yield Bonds, while using optimal exit techniques for downside risk reduction. The program was designed around a high yield bond fund index but uses mutual funds or exchange-traded funds (ETFs) as the actual investment vehicles. There are two independent signals for a maximum of one long position. All independent signals vary from short-term to long-term in nature. Stop losses and trailing stops are used.

Optimus Advisory Group Hedged Equity Strategy- Seeks to provide investors with the total return normally associated with a mix of U.S. equities, while maintaining the ability to move to low volatility or sector equities for downside risk protection. SHORT SIDE (33% Optimus Global Advantage All Asset 2X) - Seeks to provide investors with an opportunity for gains during U.S. equities, Foreign equities, and U.S. Govt. bond market declines. The strategy uses inverse mutual funds / ETFs that are based on U.S. equities, Foreign equities, and U.S. Govt. bonds.

ZEGA Financial - HiPOS Income – Seeks to provide an alternative investment strategy as a complement or replacement for existing fixed income or alternative allocations. The strategy attempts to generate returns by selling credit spreads, which are two-legged options strategies, and purchasing US Treasuries. While the HiPOS Income design is to limit downside losses during extreme conditions, there is still notable risk taken to produce its non-correlated returns.

ZEGA Financial - HiPOS Conservative – Seeks to provide an alternative investment strategy that seeks excess returns from an aggressive investment profile. ZEGA generates return by selling credit spreads, which are two-legged options strategies. HiPOS is designed to be highly liquid and has little to no historical correlation to the equity or interest rate sensitive markets. We typically recommend the HiPOS Conservative remain limited to no more than 10-20% of an individual portfolio's equity position and the investor have significant understanding and experience of option trading.

ZEGA Financial - HiPOS Moderate –Seeks to provide an alternative investment strategy as a complement or replacement for existing alternative allocations. The model attempts to generate returns by selling credit spreads, which is a two-legged option strategy. Due to its un-hedged and highly leveraged use of options, we typically recommend the HiPOS Moderate remain limited to no more than 10-20% of an individual portfolio's equity position and the investor have significant understanding and experience of option trading. There is notable risk taken to produce its non-correlated returns, including margin risk and the possibility of losing more than 100% of your principal investment in the strategy.

ZEGA Financial - HiPOS Aggressive – Seeks to provide an alternative investment strategy as a complement or replacement for existing alternative allocations. The model attempts to generate returns from an aggressive investment profile by selling credit spreads (two-legged options strategies). HiPOS uses highly liquid index options as the core investment vehicle. Due to its un-hedged and highly leveraged use of options, we typically recommend the HiPOS Aggressive Growth remain limited to no more than 10-20% of an individual portfolio's equity position and the investor have significant understanding of option trading. There is notable risk taken to produce its non-correlated returns, including margin risk and the possibility of losing more than 100% of your principal investment in the strategy.

AE Wealth Management (AEWM) models diversify among individual securities. AEWM provides a wide range of model portfolio solutions for the major three "buckets" where clients assets are generally invested, safe money investments, growth, and ambitious investments. This approach considered as a "Behavioral Finance" investment approach strives to help remove emotion from investing which could potentially jeopardize long-term financial security.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**
**Any investment strategy used may result in the loss of principal.**
**Past performance is not indicative of future results.**

## B. Material Risks Involved

### *Methods of Analysis*

**Charting analysis** strategy involves using and comparing various charts to predict long and short-term performance or market trends. The risk involved in using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be assuming past performance will be indicative of future performance. This may not be the case.

**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 consider new patterns that emerge over time.

**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, then it changes the very cycles these investors are trying to exploit.

**Modern Portfolio Theory** assumes that investors are risk adverse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

### *Transaction Strategies*

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** risks include liquidity, economic stability, and inflation, in addition to the long-term trading risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral. When losses occur, the value of the margin account may fall below the brokerage firm's threshold thereby triggering a margin call. This may force the account holder to either allocate more funds to the account or sell assets on a shorter time frame than desired. The use of margin can significantly increase risk.

**Options transactions** involve a contract to purchase a security at a given price, not necessarily at market value, depending on the market. This strategy includes the risk that an option may expire out of the money resulting in minimal or no value, as well as the possibility of leveraged loss of trading capital due to the leveraged nature of stock options. The use of options can significantly increase risk.

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**Any investment strategy used may result in the loss of principal.**
**Past performance is not indicative of future results.**

## C. Risks of Specific Securities Utilized

Clients should be aware there is a material risk of loss using any investment strategy. GFG's use of margin and options in certain investment strategies generally holds greater risk of capital loss. Certain investment strategies use margin or invest in options which generally hold a greater risk of capital loss. The investment types listed below (leaving aside Treasury, Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments, including a complete loss of value.

**Mutual Funds** are investment programs funded by shareholders that trade in diversified holdings and are professionally managed. Mutual funds carry the risk of capital loss and you may lose money. All mutual funds have management and operating costs lowering gross investment returns.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best-known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they do carry a potential risk of losing value. Risks of investing in foreign fixed income securities also include sovereign risk, a country defaulting on its debt obligations.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed "electronic shares" not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Real Estate Funds** (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Options** are contracts to purchase a security at a given price, risking that an option may expire out of the money resulting in minimal or no value. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a "naked" or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options on the same underlying security but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option transactions also involve risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.

**Non-U.S. securities** present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available. In addition, securities from certain countries may not be available to purchase or sell on the custodians utilized by GFG. Availability of products may change depending on geopolitical events and/or sanctions introduced or repealed by the US Government.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear. Any investment strategy used may result in the loss of principal. Past performance is not indicative of future results.**

# Item 9: Disciplinary Information

## A. Criminal or Civil Actions

There are no criminal or civil actions to report.

## B. Administrative Proceedings

1) On March 28, 2022, the Firm and its owner and principal, Anthony Pellegrino, were the subject of an Order Instituting Administrative and Cease and Desist Proceedings (the "Order") entered by the SEC, to which they previously consented without admitting or denying the findings therein, making findings and imposing remedial sanctions and a cease and desist order from and based on violations of Section 206(2) of the Investment Advisers Act of 1940 and Sections 5(a) and (c) of the Securities Act of 1933. A copy of that Order is available at https://www.sec.gov/litigation/admin/2022/33-11045.pdf. The Order imposed a censure against the Firm and Anthony Pellegrino as well as fines against the Firm of $70,000 and Anthony Pellegrino of $30,000, which have already been paid as directed. In addition, the Order requires the Firm to retain an independent compliance consultant to review the effectiveness of its disclosures, policies, procedures, systems and internal controls to make recommendations for the Firm to adopt enhancements in response, which the Firm has implemented.

As detailed more fully in the Order, this matter arises from the period May 2017 through June 2018, during which time the Firm, Anthony Pellegrino and Michael Pellegrino, a former manager and owner discussed below, offered and sold an investment of a third party company called 1 Global Capital (1GC), which filed for bankruptcy in July 2018, after which the SEC charged 1GC and its owner with offering and selling 1GC investments as unregistered securities, where there was no applicable exemption from registration, as well as misrepresentations regarding among other facts, the use of investor funds, the value of the investments and that the 1GC investments were exempt from the registration requirements under the securities laws. 1GC and its principal owner subsequently settled the SEC's charges against it. Neither the Firm, Anthony nor Michael Pellegrino were aware of 1GC's misrepresentations and indeed were themselves mislead by 1GC and its outside securities counsel. In this regard, 1GC obtained outside securities counsel who prepared false legal opinions and who falsely misrepresented to Michael and Anthony that the 1GC investment returns were validated by an independent accounting firm and touted legal opinions authored by outside counsel that the 1GC investments were not considered securities subject to registration. In reliance upon 1GC and 1GC's outside securities counsel, and despite efforts to conduct their own research and analysis regarding 1GC and its investments including in-person meetings at 1GC, numerous communications with 1GC and its outside securities counsel, the Firm, Anthony Pellegrino and Michael Pellegrino offered and sold the unregistered 1GC securities between May 2017 and June 2018 to certain Goldstone clients as an alternative investment product for their clients' investment portfolios. In doing so, the Firm, Anthony and Michael did not adequately disclose the fees they received from 1GC to their advisory clients including that the firm was paid a referral fee for referring clients to the product.

After 1GC filed for bankruptcy and was charged by the SEC, the Firm and Anthony provided funds to facilitate a settlement with all its clients who invested in 1GC, returning the referral fees received from 1GC in addition to insurance proceeds. Anthony and the Firm at its own expense assisted its clients to file proofs of claim in the 1GC bankruptcy . The Firm also hired a new chief compliance officer (who is still here), created a new due diligence committee to review and approve new investment products, and implemented a more robust Compliance program, including revised relevant policies and procedures and implemented prohibitions on offering any unregistered securities.

In entering the Order, the SEC considered the Firm's and Anthony's remedial efforts promptly undertaken and cooperation afforded the SEC.

In addition, although not involving currently part of the Firm's advisory business or management, Michael Pellegrino, who was until 2018 the Firm's former co-manager, chief compliance and investment officer, was ordered to pay a $50,000 fine, which has been paid, and received an order barring him from association with the Firm's advisory business in addition to prohibiting from association with other financial institutions as described in the Order.

2) On January 5, 2022, the Firm and Anthony Pellegrino, owner of the firm, entered into an Agreement and Order with the State of Idaho, Department of Finance agreeing, without admitting or denying the violations set forth in the Order, that in December 2017 Goldstone and Pellegrino violated Idaho Code Sec. 30-14-502(a)(2) by making an unsuitable recommendation to a client of the firm in violation of IDAPA 12.01.08.104.04b related to the recommendation of an unregistered security. A copy of the order is available at https://www.finance.idaho.gov/legal/administrative-actions/securities/enforcement-orders/documents/2022/4843-2019-7-05-c-goldstone-financial-a-pellegrino-ao.pdf. In entering the Order, the Firm and Pellegrino agreed to pay a $10,000 civil penalty, which has been paid.

### C. Self-regulatory Organization (SRO) Proceedings

There are no self-regulatory organization proceedings to report.

## Item 10: Other Financial Industry Activities and Affiliations

### A. Registration as a Broker/Dealer or Broker/Dealer Representative

Neither GFG nor its representatives are registered as, or have pending applications to become, a broker/dealer or a registered representative of a broker/dealer.

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

Neither GFG nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

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

The Investment Advisory Representatives (IARs) of GFG are independent licensed insurance agents, and from time to time, will offer clients advice or products acting in such capacity. Insurance sales conducted by these IARs are independent and not considered advisory services of GFG. Insurance products are considered separate from GFG and outside of the advisory services offered by GFG and its IARs. The client should be aware these products and services pay commissions or other compensation to the insurance agent and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. Clients are in no way required to utilize the services of any representative of GFG in connection with such individual's activities outside of GFG.

## D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections

GFG may utilize sub-advisers or recommend clients utilize third-party money managers. Before recommending other advisors for clients, GFG will always ensure those other advisors are properly licensed or registered as investment advisor. GFG offers clients sub-advised portfolios in its wrap fee program, which are managed by separate account managers or through a sub-adviser that GFG engages on its behalf and are further described in Item 6A of this brochure: Adhesion Wealth Advisors, Optimus Advisory Group, Zega Financial, LLC, & AE Wealth Management. Please see the wrap brochure for additional information including associated costs.

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

## A. Code of Ethics

GFG has 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. GFG's Code of Ethics is available free upon request to any client or prospective client.

## B. Recommendations Involving Material Financial Interests

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

## C. Investing Personal Money in the Same Securities as Clients

From time to time, representatives of GFG may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of GFG to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations provided to clients, which is a conflict of interest. GFG 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.

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

From time to time, representatives of GFG may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of GFG 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, GFG will never engage in trading that operates to the client's disadvantage if representatives of GFG buy or sell securities at or around the same time as clients.

# Item 12: Brokerage Practices

## A. Factors Used to Select Custodians and/or Broker/Dealers

Custodians/broker-dealers will be recommended based on GFG's duty to seek "best execution," which is the obligation to seek execution of securities transactions for a client on the most favorable terms for the client under the circumstances. Clients will not necessarily pay the lowest commission or commission equivalent or receive the best trade price on a transaction.

GFG will recommend clients to use TD Ameritrade Institutional, a division of TD Ameritrade, Inc. Member FINRA/SIPC or Fidelity Clearing & Custody Solutions, a division of Fidelity Investments, through National Financial Services LLC Member FINRA/SIPC.

Fees assessed to the client by the custodian (transaction costs, alternative asset costs, etc.) may vary by custodian. Some model portfolios or sub-advisers may not be available with a custodian. A conflict of interest may exist for the GFG in recommending a custodian as the fees charged by the custodian to the Advisor may vary and result in lower costs using one custodian over the other. Please review both custodians with your representative for additional details.

### *1. Research and Other Soft-Dollar Benefits*

GFG does not trade client's accounts and therefore receives no research, product, or services from a broker-dealer ("soft dollar benefits").

### *2. Brokerage for Client Referrals*

GFG receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### *3. Clients Directing Which Broker/Dealer/Custodian to Use*

GFG may permit Clients to direct it to execute transactions through a specified broker-dealer. Clients must refer to their advisory agreements for a complete understanding of how they may be permitted to direct brokerage. If a client directs brokerage, the client will be required to acknowledge in writing that the Client's direction with respect to the use of brokers supersedes any authority granted to GFG to select brokers; this direction may result in higher commissions, which may result in a disparity between free and directed accounts; and trades for the client and other directed accounts may be executed after trades for free accounts, which may result in less favorable prices, particularly for illiquid securities or during volatile market conditions. Not all investment advisers allow their clients to direct brokerage.

### B. Aggregating (Block) Trading for Multiple Client Accounts

GFG will occasionally use Block Trading services available from the custodians when applicable for client portfolio rebalancing. Client accounts participating in the block will receive fair and equal treatment. Partially filled orders are to be filled pro rata based on the executed number of shares.

## Item 13: Reviews of Accounts

### A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews

All client accounts for GFG's advisory services provided on an ongoing basis are reviewed at least quarterly by Chief Compliance Officer Jeff Weglarz with regard to clients' respective investment policies and risk tolerance levels. All accounts at GFG are currently assigned to this reviewer.

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

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

### C. Content and Frequency of Regular Reports Provided to Clients

Each client of GFG's advisory services provided on an ongoing basis will receive at least quarterly a statement detailing the client's account, including assets held, asset value, and any transactions conducted within the reporting period. This written report will be generated and distributed by the custodian.

# Item 14: Client Referrals and Other Compensation

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

GFG does not receive any economic benefit, directly or indirectly from any third party for advice rendered to GFG's clients. Sale competitions, awards, or prizes are not permitted within GFG.

## B. Compensation to Non–Advisory Personnel for Client Referrals

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

# Item 15: Custody

When advisory fees are deducted directly from client accounts at client's custodian, GFG will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

# Item 16: Investment Discretion

GFG provides discretionary investment advisory services to clients. The Investment Advisory Contract established with each client outlines the discretionary authority for trading. Where investment discretion has been granted, GFG generally manages the client's account and makes investment decisions without consultation with the client as to what securities to buy or sell, when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, or the price per share. In some instances, GFG's discretionary authority in making these determinations may be limited by conditions imposed by a client (in investment guidelines or objectives, or client instructions otherwise provided to GFG).

# Item 17: Voting Client Securities (Proxy Voting)

GFG 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 18: Financial Information

## A. Balance Sheet

GFG maintains all client funds and securities with qualified custodians who create and distribute accounts statements directly to GFG clients. Therefore, GFG is relieved of its obligation to send its own account statements and its inherent regulatory and financial requirements pursuant to Rule 206(4)-2.

## B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

Neither GFG nor its management has any financial condition that is likely to reasonably impair GFG's ability to meet contractual commitments to clients.

## C. Bankruptcy Petitions in Previous Ten Years

GFG has not been the subject of a bankruptcy petition in the last ten years.

# Item 19: Additional Items

## A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background

The education and business background of the Principals of GFG can be found on the individual's Form ADV Part 2B brochure supplement. These supplements are available on request for all clients and prospective clients upon request.

## B. Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)

Other business activities for each relevant individual can be found on the individual's Form ADV Part 2B brochure supplement.

## C. How Performance-based Fees are Calculated and Degree of Risk to Clients

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

## D. Material Disciplinary Disclosures for Management Persons of this Firm

There are material disciplinary disclosures for Anthony Pellegrino. These disclosures are detailed in Section 9 of this brochure, his individual ADV Part 2B disclosure, and at www.adviserinfo.sec.gov.

## E. Material Relationships With Issuers of Securities (If Any)

No GFG management personnel or representatives has any material relationship with issuers of securities at the time of this filing.