

# FORM ADV PART 2A APPENDIX 1 WRAP FEE PROGRAM BROCHURE

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FORM ADV PART 2A APPENDIX 1  
WRAP FEE PROGRAM BROCHURE  
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This wrap fee program Brochure provides information about the qualifications and business practices of Brookstone Capital Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (630) 653-1400. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any other state securities authority.

Additional information about Brookstone Capital Management is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Brookstone Capital Management is a Registered Investment Advisor. However, please note that registration as an Investment Advisor does not imply any level of skill or training.

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## **MATERIAL CHANGES**

This ADV Part 2 brochure has been reviewed and is current. SEC Rule 204-3(b)(2) allows a summary page be provided in the event material changes are made to this brochure. If you receive a summary page of material changes and would like to obtain a current copy of the entire brochure, please contact either Brookstone Capital Management or your Investment Advisor Representative for a complete copy.

No material changes have been made since the previous brochure dated February 23, 2018.

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## SERVICES, FEES AND COMPENSATION

The purpose of this brochure is to describe certain details relating to the Wrap Fee Program of Brookstone Capital Management, LLC (Brookstone) and your participation in the program.

A wrap program is a program where this firm 'wraps' both the asset management fees for advisory services and the transaction fees for execution services into a single fee charged to the client. Under a Wrap Fee arrangement, a client's costs are the same regardless of the number of transactions in an account. (Conversely, in a non-wrap fee advisory account, a client would pay an asset management fee and a separate transaction fee for each transaction within the account).

As of April 2012, Brookstone offers its securities management program in a wrap fee program. The wrap fee program is mandatory and available for all Brookstone managed models. As such, client accounts in Brookstone managed models do not have a choice between a Wrap or a Non-Wrap account, and all client accounts in this strategy will be charged on a Wrap Fee basis, as outlined below.

The wrap program does not cover anything held outside a Brookstone Model, such as a legacy position or client initiated purchases.

Wrap Programs may be more expensive to clients where there is little trading activity in the account, where a buy & hold strategy is applied, or where no or low transaction cost investments are utilized. Alternatively, a Non-Wrap Program may be more expensive if there is frequent trading activity in the account, if many transaction based investments are utilized in the management of the account, or if there is frequent re-balancing within the account.

Since your costs are the same regardless of the number of transactions actually effected in your account in any given month, the wrap fee (described below) may be lower or higher than the separate commission expense and management fee would be for the same transactions. Clients should determine their level of trading activity relative to the potentially higher rates charged in a wrap account to determine whether a wrap account is cost effective, or whether the client would pay more, or less, outside the program or at another firm.

### ASSET MANAGEMENT SERVICES

Brookstone's principal service is providing fee-based investment advisory services. Brookstone manages investment portfolios, on a discretionary basis, according to the client's objectives. Brookstone obtains data from potential clients addressing financial objectives, needs, risk tolerance, investment horizon and other pertinent information. This information is gathered and reported on an Investment Policy Statement (IPS) and Risk Profile Questionnaire and is analyzed by Brookstone Investment Advisor Representatives (IARs). Once the analysis is completed, the IAR develops an investment strategy with the potential client that addresses specific investment styles and allocation of the client's assets. Brookstone may use a combination of equities, mutual funds, exchange traded funds, structured products (including certificates of deposit and notes), individual bonds, and

options in securities to accomplish these objectives. Brookstone may partner with Sub-Advisory firms to create and manage portfolio strategies. A client's portfolio is allocated according to the client's risk profile and documented on the IPS.

Brookstone may use Unified Managed Accounts (UMA) whenever possible. This allows for multiple strategies to be managed and held within the same account. Accounts holding options cannot participate in UMA.

In addition, Brookstone offers asset management services to clients through customized individual investment accounts. In such accounts, clients may authorize Brookstone IARs to purchase and sell mutual funds, exchange traded funds, equities, fixed income securities and other securities authorized by Brookstone on a discretionary basis pursuant to investment objectives chosen by the client.

Another asset management service available, the RAISE 360 Portfolios, consists of pre-selected model portfolio allocations created by Brookstone and its investment team to align with specific risk tolerances. These portfolios may contain mutual funds, exchange traded funds, equities, and other securities authorized by Brookstone, and are managed on a discretionary basis by the Brookstone investment team pursuant to investment objectives as chosen by the client via the Risk Tolerance Questionnaire. Please see the Fees and Compensation section of this Brochure for more information.

### ASSET MANAGEMENT FEES

Pursuant to the Agreement signed by each client, the client will pay Brookstone a monthly Management/Wrap Program Fee, payable in arrears, prorated based on the amount of the assets to be managed by the advisor as of the opening of business on the first business day of each month. In the event a client should withdraw from a strategy mid month the prorated advisory fee will be charged at that time.

These fees cover (i) an initial analysis and periodic re-evaluation of the client's investment objectives and needs, and discretionary allocation among portfolio managers, (ii) all advisory services, including fees of portfolio managers, (iii) account statements, (iv) execution, and (v) custody.

Additionally, all accounts will be charged a monthly \$8 fee, subject to change based on the terms, conditions, and fees of providers. These fees will be deducted automatically from client accounts and shall be used by Brookstone to utilize software allowing the firm and its IARs to consolidate all accounts through a portfolio accounting system and create consolidated, on-demand performance reports. Moreover, clients will have the capability to create an online profile allowing them to login to Brookstone's portfolio accounting system and view their own account in "real time" on a consolidated basis. The fee is charged regardless of whether the technology is used or not.

The IAR who recommends the Program receives compensation as a result of a client's participation in the program. The amount of this compensation may be more than what the IAR would receive if the program client paid separately for investment advice, brokerage and other services. The IAR may

therefore have a financial incentive to recommend the program over other programs and services. Brookstone may use both internal and external portfolio managers and they would receive a portion of the Brookstone advisory fee. The use or non-use of a portfolio manager does not affect the fee a client pays.

All Advisory fees are negotiable between Brookstone and clients. The client agrees to pay a fee monthly, in arrears, for the advisory services provided by Brookstone pursuant to the Agreement signed by each client. The fee will be calculated based on the value of the account on the last day of the month, prorated to the number of days the account is funded.

Fees may be negotiated by the IAR at the sole discretion of the advisor. Asset management fees will be automatically deducted from the client account on a monthly basis by the custodian. Clients may request to terminate their advisory contract with Brookstone, in whole or in part, by providing 30 days advance written notice. If the Form ADV Part 2A is not delivered at least forty eight (48) hours before the client enters into the contract, then the client has the right to terminate the contract within five (5) business days after entering into it without penalty. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to client. The client's advisory agreement with the Advisor is non-transferable without the Client's written approval.

All fees paid to Brookstone for investment advisory services are separate and distinct from the fees and expenses charged by Mutual Funds, Exchange Traded Funds (ETFs), Variable Annuities, and other Investment Managers, broker/dealers and custodians retained by clients, if any. Such fees and expenses are described in each Mutual Fund's and Variable Annuity's prospectus, each Manager's Form ADV Part 2A, Wrap Brochure or similar disclosure statement, and by any broker/dealer or custodian retained by a client. Mutual Fund, Variable Annuities, and Manager fees generally include a management fee, fund expenses, and related fees. If a Mutual Fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the Fund's prospectus. Refer to the Mutual Fund or Variable Annuity prospectus for a complete description of fees and services.

Certain ETFs pay advisory fees to their investment advisors, which reduces the net asset value of the fund. Some ETFs are organized as unit investment trusts and do not have an investment advisor. However, all ETFs do incur expenses related to their management and administration that are analogous to an investment advisor's management fee. These expenses affect the value of the investment.

Brookstone may pay referral fees to any other advisor or third party who might recommend your participation in this wrap fee program. Should the wrap fee (described above) be higher than the commission expense for the same transactions, the portfolio manager has an economic incentive to recommend your participation in this program. Please review your previous level of transaction activity and related expenses to determine whether you will likely benefit from the complete line of services being provided under this wrapped fee program. Please note that Brookstone offers management services on a Wrap Fee only basis.

While you will not be charged brokerage commissions under this Wrap Fee Program, please note that your brokerage account may be charged a service

charge by the clearing firm, as well as potential account opening, closing, or similar servicing fees, in addition to your wrap fees. Certain IRA accounts may be charged custodial or other service fees as well. If your account is invested in mutual funds, the mutual fund company may assess administrative charges against your investment in that fund. These fees are not charged by Brookstone, but rather by the product sponsor, brokerage firm, or custodian firm. In the normal course of effecting transactions, prices for certain trades made on behalf of your account may include mark-ups, mark-downs, and spread differentials.

In addition from time to time, we initiate incentive programs for IARs. These programs may compensate them for attracting new assets and Clients promoting investment advisory services. Brookstone may also initiate programs that reward IARs who meet total production criteria, participate in advanced training and/or improve client service. IARs who participate in these incentive programs may be rewarded with cash and/or non-cash compensation, such as deferred compensation, bonuses, training symposiums, marketing assistance and recognition trips.

## REGULATORY FEES

To facilitate the execution of trades, regulatory Trading Activity Fees (TAF) are added to applicable sales transactions. The Securities and Exchange Commission (SEC) regulatory fee is assessed on client accounts for sell transactions, and a FINRA fee is assessed on client accounts for sell transactions, for certain covered securities. This fee is not charged by BCM but is accessed and collected by the custodian, TD Ameritrade. TD Ameritrade, the custodian that Brookstone uses, is a FINRA member firm. These fees recover the costs incurred by the SEC and FINRA, for supervising and regulating the securities markets and securities professionals.

The fee rates vary depending on the type of transaction and the size of that transaction. Trading Activity Fees rates are: \$0.000119 per share for each sale of a covered equity security, with a maximum of \$5.95 per trade, \$0.002 per contract for each sale of an option, \$0.00075 per bond for each sale of a covered bond with a maximum charge of \$0.75 per trade. All charged fees will be rounded to the nearest penny using natural rounding logic. For a rounding example, \$0.004 rounds to \$0.00 and \$0.016 rounds to \$0.02.

An example of an equity TAF, if 100 shares of a covered equity were sold, the fee would be  $\$0.000119 \times 100$  which equals \$0.0119, which would be rounded to \$0.01.

For more information on the SEC and FINRA fees, please visit their websites: [www.sec.gov/fast-answers/answerssec31htm.html](http://www.sec.gov/fast-answers/answerssec31htm.html) or [www.finra.org/industry/trading-activity-fee](http://www.finra.org/industry/trading-activity-fee)

## FEE SCHEDULES

### FEE SCHEDULE I

- BCM MLCDs
- BCM Municipal Bond Model
- BCM Structured Notes
- BCM Dividend Stock Basket
- BCM Floating Rate Preferred Stock Basket
- RAISE 360<sup>o</sup> Portfolios
- BlackRock Strategic ETF Models
- Individually Customized Mutual Fund/ETF/ Stock Portfolios
- Vanguard ETF Models

	Up to \$500,000	Next \$500,000	\$1MM+
Brookstone Annual Fee	0.50%	0.45%	0.40%
Advisor Annual Fee	1.00%	0.90%	0.75%
Total Annual Fee	1.50%	1.35%	1.15%

### FEE SCHEDULE 2

- Alpha Seeker Portfolio
- Canterbury Portf. Thermostat
- CMG Opportunistic All Asset ETF
- Donoghue Power Dividend
- MarketGrader 100 Enh Index
- MStar Dividend Select
- MStar Hare Select
- MStar Tortoise Select
- MStar Wide Moat Select
- Newfound Global Sectors
- Newfound Multi-Asset Income
- SmartOption

	Up to \$500,000	Next \$500,000	\$1MM+
Brookstone Annual Fee	0.95%	0.85%	0.75%
Advisor Annual Fee	1.00%	0.90%	0.75%
Total Annual Fee	1.95%	1.75%	1.50%

The MarketGrader 100 Enhanced Index Portfolio and Alpha Seeker Portfolio are managed by Kaizen Advisory, LLC, an affiliated firm.

## ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

Brookstone generally provides investment advice to individuals, pension and/ or profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. Requirements for opening an account could vary depending on the program selected, but we typically have minimum accounts size requirements of between \$5,000 and

\$300,000. Brookstone may, at its discretion, accept accounts below the minimum required amount. Prior to engaging Brookstone to provide any of the investment advisory services described in this Brochure, the client will be required to enter into a written agreement setting forth the terms and conditions under which the firm shall render its services.

## PORTFOLIO MANAGER SELECTION & EVALUATION

Your Portfolio Manager is a person, with relevant securities industry experience and industry required licenses, who is associated with Brookstone as a registered Investment Advisory Representative (IAR). Therefore, the IAR will be your portfolio manager.

While your IAR assists in the suitability and on-going review of your account performance, the advisory representative does not directly manage or effect the trading of the investment portfolios. Mr. Dean Zayed (BCM President and CEO), directs the management of all portfolios, including all trading decisions, decisions related to holdings, and rebalancing. Third party Registered Investment Advisor firms may also be employed to manage the various models through the use of a trade signal agreement. Mr. Zayed also reviews the performance of each portfolio manager quarterly. He will compare the performance of each manager to securities industry benchmarks such as the S&P 500 for growth funds and accounts with "growth" as the investment objective of the account; and other comparable peer group benchmarks.

Should you wish an IAR other than the person with whom you have been regularly dealing, you may contact Mr. Zayed at any time, who will ensure that you are re-assigned to a mutually agreed IAR. To make such a change all you need to do is make your request in writing and submit it to Mr. Zayed at Brookstone's main office address, as listed on the cover page of this Brochure.

## ADVISORY BUSINESS

In addition to providing the Wrap Fee Program described in this Brochure, the firm also provides Financial Planning Services, as outlined in the Form ADV Part 2A. Please refer to Brookstone's Form ADV Part 2A for additional information related to the Planning Services offered, including fees charged for this service.

The above listed advisory services can be tailored to each client – as such, if any client requires any restrictions on any types of stocks or market segments, the client needs to inform their IAR of the restrictions in writing. If, for any reason, the firm is not able to meet the client restrictions, the firm will notify the client of that fact so that the client can determine their requirements and needs.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

Methods of analysis and investment strategies include charting, fundamental, tactical, cyclical and technical analysis, independent research, and asset allocation implementation strategies. Proprietary software programs may be used to identify market points where either "buy" or "sell" signals are recognized. These signals assist the managers in implementing the specified management strategies of the various managed programs. Quantitative analysis can also be used when analyzing securities. This analysis uses current and historical pricing information to help identify trends in both the domestic and foreign equity and fixed income markets. Technical indicators such as moving averages and trend lines may be further used to identify entry and exit points. Various fundamental data such as overall economic conditions, industry outlook, interest rates and political climate are also considered.

All investment strategies involve risk. There is no assurance that a positive return will be obtained in any managed investment account program. Neither Brookstone IARs nor portfolio managers guarantee the performance of the account, or promise any specific level of performance, or promise that investment decisions, strategies or overall management of the account will be successful. Any investment decisions portfolio managers may make for clients are subject to various market, currency, economic, political, interest rate and business risks, will not necessarily be profitable, and are subject to investment risk, including possible loss of principal.

In choosing investment programs utilized by the firm, Brookstone measures and selects strategies based on length and verifiability of track record, the fund manager's tenure and/or overall career performance, the fund management continuity, investment philosophy and process, and other factors believed to effect account performance. Brookstone or the IAR may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. The advisor may recommend buying or selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, valuation of the position(s) in the portfolio, change in risk tolerance of client, or any risk deemed unacceptable for the client's risk tolerance.

Please see below for a list of available investment strategies available through Brookstone. The strategies are divided by the type of investment methodology used, either a Tactical or Strategic Investment Approach. Then, they are further categorized as Equity Strategies, Fixed Income Strategies, Correlation Strategies, and Volatility Strategies. Please refer to the Risk Profile Questionnaire to help determine a recommended allocation amongst these categories. For a more complete description of the individual strategies, please refer to the Investment Policy Statement Part A. The minimum investment for each strategy is listed next to it below.

## DEFINITIONS OF INVESTMENT APPROACHES

### TACTICAL APPROACH

Tactical strategies employ a range of processes to dynamically adjust the securities and/or asset class exposure of a portfolio in an attempt to optimize the portfolio by adapting to changing market conditions. These processes may include methods such as technical analysis, fundamental analysis and quantitative analysis. Managers utilizing tactical strategies seek to build a portfolio that includes the best possible positioning at any given moment, based on the manager's proprietary skills, algorithms, research and overall investment philosophy.

### STRATEGIC APPROACH

Strategic strategies typically set target or fixed asset allocations and then periodically rebalance the portfolio back to those targets as investment returns skew the original asset allocation percentages. Strategic strategies may use an actively-managed approach in which the buy and sell decisions are based primarily upon fundamental analysis or they may use a passively-managed approach to security selection commonly known as indexing.

## DEFINITIONS AND RISKS OF INVESTMENT CATEGORIES

### EQUITY STRATEGIES

#### Equity Strategies Definition

Equity Strategies invest primarily in equity securities (stocks) by either directly investing in shares of the stocks or through the use of mutual funds and exchange-traded funds (ETFs). Equity securities can vary based on market capitalization (size), industry, sector, and geographic location. Managers employing equity strategies typically use fundamental or technical analysis or a combination of both and commonly differentiate between growth stocks and value stocks. Equity investments are typically considered to be riskier than fixed-income (bond) investments as they historically have a higher standard deviation but have also typically provided higher returns.

#### Equity: Tactical Strategies

Donoghue Power Dividend Index (\$40K)  
MarketGrader 100 Enhanced Index Portfolio (\$100K)  
Newfound Risk-Managed Global Sectors (\$40K)  
SmartOption (\$40k)

#### Equity: Strategic Strategies

BCM Energy Sector (\$25K)  
BCM Dividend Stock Basket (\$25K)  
BCM Floating Rate Preferred Stock Basket (\$25K)  
BlackRock Strategic ETF Models (\$10K)  
Individually Customized Equity Mutual Fund/ETF/ Individual Stock Portfolios  
Morningstar Dividend Select Stock (\$50K)  
Morningstar Hare Select Stock (\$50K)  
Morningstar Tortoise Select Stock (\$50K)  
Morningstar U.S. Wide Moat Focus Select Stock (\$50K)  
RAISE 360° Portfolios (\$25K)  
RAISE 360° Small Models (\$5K)

### EQUITY STRATEGY RISK

The primary risk of investing in equity securities is that they may decline in value for a variety of reasons, including a broad market downturn, unfavorable developments affecting an entire industry, and specific events affecting a single company. The following is a partial list of the risks associated with investing in various types of equity securities:

- An investment in equity securities should be made with an understanding of the risks involved with owning common stocks (i.e. market risk), such as an economic recession and the possible deterioration of either the financial condition of the issuers of the equity securities (i.e. financial risk) or the general condition of the stock market.
- An investment in foreign stocks is subject to additional risks, including foreign currency fluctuations (i.e. currency or exchange-rate risk), foreign political risks, foreign withholding, possible lack of adequate financial information, and possible exchange control restrictions impacting foreign issuers. These risks may be more pronounced in emerging markets where the securities markets are substantially smaller, less liquid, less regulated and more volatile than developed foreign markets.
- An investment in small-capitalization or mid-capitalization companies may be more volatile than investments in larger, more established companies, and securities of small and mid-size companies typically have more limited trading volumes.
- A portfolio may be concentrated in a particular industry or sector which involves more risk than a broadly diversified portfolio (i.e. allocation risk).
- An investment in a particular industry or company within an industry is subject to the risk that the company will go bankrupt or perform below expectations (i.e. business risk). Every company has the business risk that the broader economy will perform poorly and therefore sales will be poor and also the risk that the market simply will not like its products.

### PREFERRED STOCK RISK

The following includes some of the risks associated with investments in preferred stocks:



- **Interest Rate Fluctuation** - Preferred stocks typically pay a fixed dividend. This tends to make the market price of preferred stocks interest rate-sensitive, similar to bond prices in the secondary market. If prevailing interest rates drop, the market price of preferred stocks tends to rise. But if prevailing interest rates rise, preferred stock prices tend to fall.
- **No Dividend Guarantees** - Preferred stocks are equity securities, as are common stocks. The dividend on preferred stocks must typically be paid before any dividends can be paid to common stockholders. But the dividends are not guaranteed in the same way that interest payments on the company's bonds are guaranteed. If the company misses an interest payment on its bonds, it is in default of its bond indenture, and bondholders can pursue legal action against the company. If the company misses a preferred dividend payment, it's not in default.
- **Call Provision** - Some preferred stocks include a call provision, which allows the company to redeem its preferred shares on demand. A company is most likely to call its preferred stock when prevailing interest rates fall. In that situation the company could lower its expenses by redeeming the stock for its par value, then reissue it to take advantage of the lower prevailing interest rates.
- **Liquidation Risk** - If the company goes bankrupt, preferred stockholders must wait until all of the company's creditors are made whole before they have any claim on the company's assets. Bondholders get their money before preferred stockholders.
- **Credit quality** - While not all preferred stocks are in the junk category, they seldom are highly rated.

#### RISKS INVOLVED WITH TRADING ON MARGIN

Margin is the borrowing of money to purchase securities. There are a number of risks that all investors need to consider in deciding to trade securities on margin. These risks include the following:

- You can lose more funds than you deposit in the margin account. A decline in the value of securities that are purchased on margin may require you to deposit additional funds to avoid the forced sale of those securities or other securities in your account.
- The firm can force the sale of securities in your account. If the equity in your account falls below the maintenance margin requirements under regulations the firm can sell the securities in your account to cover the margin deficiency. You will also be responsible for any short fall in the account after such a sale.
- The firm can sell your securities without contacting you.
- You are not entitled to an extension of time on a margin call. While an extension of time to meet initial margin requirements may be available to customers under certain conditions, a customer does not have a right to the extension. In addition, a customer does not have a right to an extension of time to meet a maintenance margin call.

- **Margin Interest**-You're responsible for repaying the interest on your margin loan regardless of any changes in interest rates that occurred during the time your loan was outstanding or changes in the market value of the securities you bought on margin.

#### ETF (EXCHANGE TRADED FUND) RISK

ETFs are each unique securities in their own right and are subject to additional risks that are discussed below:

- ETFs are subject to the funds' managements' abilities to manage the underlying portfolios to meet the funds' stated investment objectives.
- ETFs also may trade at a discount to their net asset value in the secondary market. The structure of an ETF is such that most ETFs' market prices tend to track the funds' respective net asset value closely, but this may not always be the case, particularly during periods of extreme market volatility.
- Most ETFs are designed to track a specified market index; however, in some cases an ETFs return may deviate from the specified index. Certain ETFs are actively managed ETFs and are subject to management risk. Furthermore, unlike open-end funds, investors are generally not able to purchase ETF shares directly from the fund sponsor nor redeem ETF shares with the fund sponsor. Rather, only specified large blocks of ETF shares called "creation units" can be purchased from, or redeemed with, the fund.
- Information on a specific ETF risk and its policies regarding the above topics can be found in its prospectus and Statement of Additional Information. Clients are encouraged to review the prospectus before investing.

#### CONCENTRATION RISK

If the Index concentrates in an industry or group of industries the Fund's investments will be concentrated accordingly. In such event, the value of the Fund's Shares may rise and fall more than the value of shares of a fund that invests in securities of companies in a broader range of industries. Any fund that concentrates in a particular industry will generally be more volatile than a fund that invests more broadly.

#### ENERGY SECTOR RISK

The profitability of companies in the energy sector is related to worldwide energy prices, exploration, and production spending. Such companies also are subject to risks of changes in exchange rates, government regulation, world events, depletion of resources and economic conditions, as well as market, economic and political risks of the countries where energy companies are located or do business. Oil and gas exploration and production can be significantly affected by natural disasters. Oil exploration and production companies may be adversely affected by changes in exchange rates, interest rates, government regulation, world events, and economic conditions. Oil exploration and production companies may be at risk for environmental damage claims.

## FIXED INCOME STRATEGIES

### Fixed Income Strategies Definition

Fixed income strategies invest primarily in debt securities (bonds) by either directly investing in the bond issuer or through the use of mutual funds and ETFs. Debt securities can vary based on issuer (e.g. corporations, governments and municipalities), coupon (interest rate) and maturity. Managers employing fixed income strategies typically do so to provide reliable income while analyzing the trade-off between the price and yield of the debt instrument, the issuer's credit quality, inflation expectations, and interest rate movements. Fixed income investments are typically considered to be less risky than equity investments as they historically have a lower standard deviation but have also typically provided lower returns.

### Fixed Income: Tactical

BCM Market-Linked CDs (\$2K)

BCM Structured Notes (\$2K)

Braver Tactical High Income (\$40K)

### Fixed Income: Strategic

BCM Municipal Bonds Model (\$5K)

RAISE 360° Portfolios (\$25K)

RAISE 360° Small Models (\$5K)

BlackRock Strategic ETF Models (\$10K)

Individually Customized Fixed Income Mutual Fund/ETF Portfolios

## FIXED INCOME STRATEGY RISK

The primary risk of investing in fixed income securities is that they may decline in value for a variety of reasons, including a broad market downturn, a rising interest rate environment, unfavorable developments affecting an entire industry, and specific events affecting a single company. The following is a partial list of the risks associated with investing in various types of fixed income securities:

- All bonds are subject to various risks including higher interest rates as fixed income securities typically decline in value as interest rates rise, economic recession, possible rating downgrades by one or more rating agencies, and possible defaults of interest and/or principal payments by the issuer.
- Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate risk). This primarily relates to fixed income securities.
- High-yield or "junk" bonds are rated below investment grade and are subject to a higher risk of rating downgrade and issuer default than investment-grade bonds, and are more affected by an economic recession. The prices of high-yield bonds tend to fluctuate more than those of investment grade bonds.
- Fixed income securities issued by foreign issuers are subject to additional risks including foreign currency fluctuations, foreign political risks, foreign tax withholding, possible lack of adequate financial information and possible exchange control restrictions. Additionally, these risks may be more pronounced in emerging

markets where the securities markets are substantially smaller, less liquid, less regulated, and more volatile than developed foreign markets.

- Municipal bonds are issued by states, counties or other municipal authorities and are subject to additional risks, including deterioration in the financial condition of the municipal issuer and potential changes in tax laws affecting the tax-free status of municipal bonds.
- Mortgage-backed securities may be more sensitive to changes in interest rates than traditional fixed income securities as rising rates tend to extend the duration of such securities. In addition, mortgage-backed securities are subject to prepayment risk, since borrowers may pay off their mortgages sooner than anticipated, particularly during a period of declining interest rates. Subprime mortgage-backed securities are subject to a higher risk of rating downgrade or defaults than higher rated mortgage-backed securities.
- Senior loan securities are high-yield, floating rate corporate debt securities which are senior in a company's capital structure to unsecured debt securities. Like all high-yield securities, such securities carry a heightened risk of a rating downgrade or issuer default than investment grade securities.

## MULTI-ASSET STRATEGIES

### Multi-Asset Strategies Definition

Multi-Asset strategies invest in a blend of asset classes such as equities, fixed income and commodities, and do so by investing directly in the underlying security or through the use of mutual funds and ETFs. Managers employing these strategies typically analyze securities based upon their historical and anticipated correlation to one another. Some multi-asset strategies have a relatively fixed asset allocation with a blend of low-correlated securities while other multi-asset strategies employ an asset allocation with a blend of securities that may exhibit higher correlations that may change based on the rules of such strategy.

### Multi-Asset: Tactical

Canterbury Portfolio Thermostat (\$40K)

Newfound Multi-Asset Income (\$40K)

## MULTI-ASSET STRATEGY RISK

As the Multi-Asset Strategies can utilize an array of investment vehicles, the above risks described for equity and fixed income strategies will be present if those vehicles are used. Other vehicles possibly used within these strategies also have risks associated with them. For example, the performance of commodity-linked investments, including derivatives, may depend on the performance of the overall commodities markets and on other factors that affect the value of commodities, including weather, political, tax, and other regulatory and market developments. Commodity-linked notes may be leveraged. Commodity-linked investments may be hybrid instruments that can have substantial risk of loss with respect to both principal and interest. Commodity-linked investments may be more volatile and less liquid than the underlying commodity, instruments, or measures and are subject to the

credit risks associated with the issuer, and their values may decline substantially if the issuer's creditworthiness deteriorates. As a result, returns of commodity-linked investments may deviate significantly from the return of the underlying commodity, instruments, or measures. Legal and regulatory changes also can affect the value of these investments.

## VOLATILITY STRATEGIES

### Volatility Strategies Definition

Volatility strategies seek to provide appreciation through the use of derivative securities (options), whose prices are based primarily on the volatility expectations of the underlying investments. Managers employing volatility strategies typically buy and sell one or more options contracts (i.e. puts and calls) based on a mathematical approach that attempts to quantify the return and risk of the investment up front. These strategies typically attempt to provide steady growth regardless of the conditions of the market in which they invest (bull, bear or flat market). Options strategies are considered to be complex financial instruments and may involve significant risk.

### Volatility: Tactical

Alpha Seeker Strategy (\$10K)

### VOLATILITY STRATEGIES RISK

Options may be used to create implied leverage in a portfolio – meaning the account controls more shares than it could otherwise purchase with the same amount of capital. Markets can move suddenly, swiftly, and without notice; these movements can be severe in size and longevity. In a sharp downward moving market, the loss in a strategy utilizing options may accelerate quickly because of the implied leverage – it depends on the conditions of the trade cycle. Strategies utilizing options may only be suitable for the investor who understands the risks and has the financial capacity and willingness to incur potentially substantial losses.

The value of derivatives, including options, futures and options on futures also may be adversely affected if the market for derivatives is reduced or becomes illiquid. No assurance can be given that a liquid market will exist when Brookstone seeks to close out a position. Reasons for the absence of a liquid secondary market on an exchange include the following: (i) there may be insufficient trading interest in certain derivatives; (ii) restrictions may be imposed by an exchange on opening transactions or closing transactions or both; (iii) trading halts, suspensions or other restrictions may be imposed with respect to particular classes or series of derivatives; (iv) unusual or unforeseen circumstances may interrupt normal operations on an exchange; (v) the facilities of an exchange or the Options Clearing Corporation may not at all times be adequate to handle the then-current trading volume; or (vi) one or more exchanges could, for economic or other reasons, decide or be compelled at some future date to discontinue the trading of derivatives (or a particular class or series of derivatives). If trading were discontinued, the secondary market on that exchange (or in that class or series of derivatives) would cease to exist. However, outstanding options on that exchange that had been issued by the Options Clearing Corporation as a result of trades on

that exchange would continue to be exercisable in accordance with their terms. Investing in derivative instruments also includes interest rate, market, credit and management risks, and the risk of mispricing or improper valuations. Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, and the investment could lose more than the principal amount invested.

## CUSTOM INDIVIDUAL PORTFOLIOS

Advisors may construct custom portfolios for clients using mutual funds, exchange traded funds, equities, fixed income securities and other securities authorized by Brookstone on a discretionary basis pursuant to investment objectives chosen by the client. Clients should refer to the individual mutual fund or ETF prospectus for the risks associated with each specific fund.

## ALTERNATIVE INVESTMENT RISK

An alternative investment is an asset that is not one of the conventional investment types, such as stocks, bonds and cash. Alternative investments include private equity, hedge funds, managed futures, real estate, commodities and derivatives contracts. Most alternative assets have low liquidity compared to conventional assets. Alternative investments have experienced periods of extreme volatility and in general, are not suitable for all investors.

## ADDITIONAL RISK STATEMENT

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment strategy. Prospective and existing clients are encouraged to consult their own financial, legal and tax professionals in connection with the selection of and investment in a particular strategy or product. In addition, due to the dynamic nature of investments and markets, strategies may be subject to additional and different risk factors not discussed herein.

Investing in securities involves a significant risk of loss. Brookstone's investment recommendations are subject to various market, inflation, currency, economic, political and business risks, and such investment decisions may not always be profitable. Clients should be aware that there may be a loss or depreciation to the value of the client's account, which clients should be prepared to bear. There can be no assurance that the client's investment objectives will be obtained and no inference to the contrary should be made. Prior to entering into an agreement with Brookstone, a client should carefully consider: (1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, (2) that volatility from investing in the stock market can occur, and (3) that over time the client's assets may fluctuate and at any time be worth more or less than the amount invested.

Brookstone does not represent, guarantee or imply that the services or methods of analysis employed by the firm can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

## VOTING CLIENT SECURITIES

Brookstone will not vote proxies on behalf of our advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder. In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

For accounts subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), the plan fiduciary specifically keeps the authority and responsibility for the voting of any proxies for securities held in plan accounts. Also, Brookstone cannot give any advice or take action with respect to the voting of these proxies.

## PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Brookstone does not charge any performance based fees of any kind (those fees that are based upon a share of capital gains or capital appreciation of client assets).

## CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

Your financial history, and related background information, such as social security number, account numbers, account holdings, personal and family background, work history, tax status, and numerous other items necessary for us to provide you with suitable investment advice and establish any investment account, are gathered by your IAR at the inception of the relationship, and is updated on a regular basis thereafter.

You are responsible for insuring that we have accurate, current information about your financial condition, your holdings and other investments, your investment objectives and goals and all other information which has a

bearing on your investments and participation in this investment program. Your IAR will receive a copy of all information which you supply us. Your IAR will receive notice of any change to any item of your account information when you inform Brookstone of such change.

Due to the nature of the services being offered under this program and our desire to provide you the best service, we must stress the importance of your providing us with accurate and current financial information. If at any time any of your information changes, please notify your IAR immediately.

## CLIENT CONTACT WITH PORTFOLIO MANAGER

Your Portfolio Manager is your IAR at Brookstone. You may contact your IAR at any time. In fact, we encourage you to work closely with your IAR and to contact him/her with any questions or items of particular concern or interest to you. In addition, as noted above, you must notify your IAR of any changes to your background or account information.

## ADDITIONAL INFORMATION

Brookstone participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, Brookstone, Advisor participates in the institutional advisor program Brookstone participates in TD Ameritrade's Institutional customer program and Brookstone requires clients to maintain accounts with TD Ameritrade for custody and brokerage services. There is no direct link between Brookstone's participation in the program and the investment



advice it gives to its clients, although Brookstone receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools (including Brookstone's Orion subscription, a back office performance and reporting system); consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain Institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Brookstone by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Brookstone's related persons, and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for Brookstone's personnel to attend conferences or meetings relating to the program or to TD Ameritrade's advisor custody and brokerage services generally. Some of the products and services made available by TD Ameritrade through the program may benefit Brookstone but may not benefit its client accounts. These products or services may assist Brookstone in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Brookstone manage and further develop its business enterprise. The benefits received by Brookstone (or its personnel) through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by Brookstone or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Brookstone's choice of TD Ameritrade for custody and brokerage services.

Brookstone also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisors participating in the program. Specifically, the Additional Services include Orion, Brookstone's back office performance and reporting system. TD Ameritrade provides the Additional Services to Brookstone in its sole discretion and at its own expense, and Brookstone does not pay any fees to TD Ameritrade for the Additional Services. Brookstone and TD Ameritrade have entered into a separate agreement (Additional Services Addendum) to govern the terms of the provision of the Additional Services.

As part of Brookstone's agreement with TD Ameritrade, TD Ameritrade provides Brookstone with payment coverage for Orion. These services are used in conjunction with the firm's advisory practice, and provide direct and/or indirect beneficial benefit to all Brookstone clients, whether those clients utilize TD Ameritrade or not. While there is no direct link between this and the advice provided to Brookstone clients, this arrangement could be considered a conflict of interest that clients are herein made aware of, and

which clients should consider when choosing an advisor. The benefits described above are not dependent on specific dollar amounts of brokerage transactions directed to TD Ameritrade by Brookstone.

Brookstone's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Brookstone, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, Brookstone's client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with Brookstone, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, Brookstone may have an incentive to recommend to its clients that the assets under management by Brookstone be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Brookstone shares the Additional Services with its affiliated entities. Consequently, Brookstone's clients' brokerage commissions and custodial fees generated at TD Ameritrade may be used to benefit Brookstone's affiliates. Brookstone's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including seeking best execution of trades for client accounts.

On behalf of Registrant, Registrant serves on the TD Ameritrade Institutional Advisor Panel (Panel). The Panel consists of approximately twenty-four independent investment advisors that advise TD Ameritrade Institutional (TDA Institutional) on issues relevant to the independent advisor community. The Panel meets in person on average three to four times per year and conducts periodic conference calls on an as needed basis. Investment advisors are appointed to serve on the Panel for two year terms by TDA Institutional senior management. An investment advisor may serve longer than two years if appointed to additional terms by TDA Institutional senior management. Registrant's current term expires in February Of 2019. At times, Panel members are provided confidential information about TDA Institutional initiatives. Panel members are required to sign confidentiality agreements. TD Ameritrade, Inc. (TD Ameritrade) does not compensate Panel members. However, TD Ameritrade pays or reimburses Registrant for the travel, lodging and meal expenses Registrant incurs in attending Panel meetings. The benefits received by Registrant or its personnel by serving on the Panel do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by Registrant or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Registrant's recommendation of TD Ameritrade for custody and brokerage services.

### DISCIPLINARY INFORMATION:

Firms are required to report any legal or disciplinary events that are material to a client's evaluation of our advisory business and the integrity of our management. There are no required disclosures in relation to Brookstone and its management team.

Disclosure information specific to your IAR can be found on their supplemental ADV 2B and is available at [www.adviserinfo.sec.org](http://www.adviserinfo.sec.org).

### OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS:

IARs of Brookstone may also be agents/Registered Representatives of a non-affiliated firm engaging in the business of selling life, health, long-term care, disability and annuity insurance products as well as securities. As registered representatives, associates may receive separate compensation in the form of commissions for the purchase of securities through their affiliated broker/dealer as well as for the sale of insurance products.

Mr. Zayed is a principal and owner of Prizm Financial Advisors, Inc. (PFA). PFA is the corporation name of the entity that Mr. Zayed uses for his personal clients including financial planning, investments, insurance and tax planning.

Additionally, Mr. Zayed is a shareholder in the law firm of Perkins & Zayed, PC. As mentioned in the Services We Offer section above, Brookstone recommends the services of Perkins & Zayed, PC for implementation of estate planning recommendations made by Brookstone. This arrangement is disclosed by Brookstone as part of the client's agreement and by delivery of this Brochure. Should a client elect to utilize Perkins & Zayed, PC for estate planning services, the client will be required to enter into a separate written agreement for such services, and pay applicable legal fees. Clients should be aware that any applicable legal fees will be in addition to and separate from the financial planning fees incurred for services as outlined in the Financial Planning Agreement. Mr. Zayed will also receive individual compensation in the form of profits due to his role as a shareholder in Perkins & Zayed, PC. This could create a conflict of interest in that Mr. Zayed, through Brookstone may have a financial incentive to recommend Perkins & Zayed, PC for estate planning services. The Client has the sole responsibility for determining whether to implement any such recommendations made by Brookstone, and which outside counsel to use for such services.

Brookstone is affiliated, through common ownership, with an insurance marketing organization called Brookstone Insurance Group. Some Brookstone advisors may use Brookstone Insurance Group to process insurance, including life, fixed annuities or fixed index annuities. Using Brookstone Insurance Group is optional for advisors and Brookstone is not involved in those insurance sales. Brookstone advisors may receive commission based compensation for the sale of insurance and annuity products.

Mr. Zayed also has an ownership interest in Kaizen Advisory, LLC (Kaizen), an SEC Registered Investment Advisor. Clients are under no obligation to invest in Kaizen managed accounts and may choose a non-Kaizen advised investment solution.

Brookstone currently has a partnership with Axos Bank, which offers only FDIC insured products. If an IAR of Brookstone refers a client to Axos Bank for banking services, he or she may earn a fee for such referral.

These outside activities and affiliations create an additional conflict of interest in that Brookstone's President and IAR's obligations to these outside interests may either conflict with the advisement provided by Brookstone or take up a substantial amount of their time and therefore the time spent on providing

the advisory services described herein may be limited by virtue of their obligations to these outside interests. Although Brookstone's President and IARs will devote as much time to the business and affairs of Brookstone as is reasonably necessary to deliver the advisory services described herein, they may devote a significant portion of their time to the affairs of these other activities and affiliations.

Brookstone has adopted policies and procedures to address the conflicts presented by these relationships. For example, as part of the firm's fiduciary duty to its clients, Brookstone and its IARs will endeavor at all times to put the interest of its investment advisory clients first. Additionally, the conflicts presented by this practice are disclosed to clients at the time of entering into an advisory agreement. Please refer to the section of this brochure titled Code of Ethics and Personal Trading for additional information.

### CODE OF ETHICS:

In accordance with SEC Rule 204a-1 of the Investment Advisers Act of 1940, Brookstone maintains and enforces a Code of Ethics. The Code requires employee reporting of all securities holdings and transactions may require prior pre-clearance from the firm's Chief Compliance Officer for certain securities transactions. The Code contains requirements regarding employee compliance with all Laws, Rules and Regulations, and it contains provisions for reporting violations of the Code to Brookstone's Chief Compliance Officer. All Brookstone IARs are expected to be honest and ethical, make full and accurate disclosures, remain in compliance with all applicable rules and regulations, and be accountable for what they do.

Brookstone and your IAR act as fiduciaries for you. They have a fundamental obligation to act in the best interest of their clients and to provide investment advice in the clients' best interest. They owe their clients a duty of undivided loyalty and utmost good faith. They should not engage in any activity in conflict with the interest of any client, and they should take steps reasonably necessary to fulfill these obligations. Brookstone and its IARs must employ reasonable care to avoid misleading clients and must provide full and fair disclosure of all material facts to their clients and prospective clients. Generally, facts are "material" if a reasonable investor would consider them to be important. They must eliminate, or at least, disclose, all conflicts of interest that might incline them - consciously or unconsciously - to render advice that is not disinterested. If they do not avoid a conflict of interest that could impact the impartiality of their advice, they must make full and frank disclosure of the conflict. Brookstone and its IARs cannot use their clients' assets for their own benefit or the benefit of other clients. Departure from this fiduciary standard may constitute "fraud" upon their clients under the Investment Advisers Act.

To review a copy of Brookstone's Code of Ethics, please make a written request to your IAR, contact Brookstone at 630-923-6850, or email [compliance@brookstonecm.com](mailto:compliance@brookstonecm.com).

## ANNUITY RECOMMENDATIONS

Most Brookstone investment advisor representatives also provide insurance or annuities to their clients when appropriate. Insurance, including fixed index annuities, are not offered through Brookstone but are sold by insurance licensed agents using various insurance companies. The issuing insurance companies are not affiliated with Brookstone. However, sometimes the fixed insurance product could be used as a replacement or alternative to the Brookstone fixed income portion of a portfolio. Brookstone does not charge management fees on fixed index annuities. Annuities may be subject to caps, restrictions, fees and surrender charges as described in the annuity contract. Any annuity guarantees are backed by the financial strength and claims paying ability of the issuer.

## PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING:

Brookstone and/ or its IARs may at any time own or invest in the same securities as it recommends to clients. All employees and IARs of Brookstone are required to submit to the Brookstone Compliance Department duplicate copies of all trades and account statements for review. Brookstone does not allow any IAR or employee to trade ahead of their clients. For individual securities such as stocks and bonds, client orders are placed first or block traded where an average price is used.

## REVIEW OF ACCOUNTS:

Brookstone IARs periodically review their designated client accounts on a regular basis and no less than annually. Client accounts are reviewed for suitability in light of each client's investment objectives, risk tolerance and financial goals. Brookstone's president, Mr. Zayed, is responsible for the general oversight of all supervised persons, and has ultimate authority over portfolio management, fundamentals, model portfolio constituents, asset allocation and areas of potential concern.

In addition to periodic reviews, reviews may be triggered when Brookstone becomes aware of a change in client's investment objective, a change in market conditions, change of employment, re-balancing of assets to maintain proper asset allocation and any other activity that is discovered as the account is reviewed. The client is encouraged to notify Brookstone and IAR if changes occur in his/her personal financial situation that might adversely affect his/ her investment plan.

The client will receive written statements no less than quarterly from the trustee or custodian. In addition, the client will receive other supporting reports from Mutual Funds, Asset Managers, Trust Companies or Custodians, Insurance Companies, Broker/Dealers and others who are involved with client accounts.

Brookstone has the ability to prepare written quarterly reports reflecting current positions and valuations which are provided to all clients for managed accounts. Third party custodians also provide monthly statements. Financial planning clients receive a written copy of their financial plan with all supporting analyses.

## CLIENT REFERRALS AND OTHER COMPENSATION

Brookstone has entered into solicitor relationships with individuals and organizations, including the advisors to mutual fund companies that Brookstone recommends ("Solicitors") in order to give or receive payments for referral of certain clients. In the instance where Brookstone receives a client referral from a Solicitor, Brookstone will pay a cash referral fee to the Solicitor based upon a percentage of our advisory fee received from that particular client. In the instance where Brookstone refers a client to another advisor or mutual fund company, Brookstone will receive a cash referral fee from the advisor (including an advisor to a mutual fund company) for its referral of a Brookstone client. This may create a conflict of interest in that Brookstone has a financial incentive to refer clients to mutual fund companies that pay Brookstone a referral fee.

Under these circumstances, Brookstone will enter into a solicitor's agreement with the other party. All such agreements will be in writing and comply with the applicable state and federal regulations. While the specific terms of each agreement may differ, generally, the compensation will be based upon a varying percentage of the assets under management by the client, which shall be paid by the advisor until the account is closed by written authorization from the client. Any such fee shall not result in any additional charge to the client.

Each prospective client who is referred under such an arrangement will receive a copy of applicable advisor's Form ADV Part 2A and a separate written disclosure document disclosing the nature of the relationship between the solicitor and the advisor and the amount of compensation that will be paid to the third party solicitor, which must be acknowledged in writing by the solicited client.

## FINANCIAL INFORMATION:

Brookstone does not require prepayment of more than \$1,200 in fees per client six months or more in advance – as such, a Balance Sheet is not required and therefore not attached. There is also no known financial condition that is reasonably likely to impair this firm's ability to meet contractual commitments to clients, and the firm has not been the subject of a bankruptcy proceeding.

## STATE REQUIREMENTS

As Brookstone Capital Management is an SEC registered advisor and not a State registered advisor, this Item is not applicable.