



PART 2A of FORM ADV / DISCLOSURE DOCUMENT

This brochure provides information about our investment advisory business practices. If you have any questions about the contents of this brochure, please contact us. The brochure has not been approved by the Securities and Exchange Commission or any state securities authority.

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(April 25, 2012)

Clients can request a copy of our brochure at any time by contacting us at 863-687-3679. Our brochure is also available on our website www.brookstonecurities.com. Additional information about Brookstone Securities, Inc. is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Brookstone who are registered, or are required to be registered, as investment adviser representatives of Brookstone.

2. MATERIAL CHANGE

This section applies only to specific material changes that Brookstone makes. Brookstone will provide you with a summary of such changes. We will also reference the date of the last annual update or the date we made changes to the brochure. We will further provide clients with a new brochure as necessary based on changes or new information, at any time, without charge.

3/28/2011

This Brochure dated March 28, 2011 is a new document prepared according to the SEC's new requirements and rules. As such, this brochure is materially different in structure and requires certain new information that our previous brochure did not require.

We will deliver a copy of this brochure to the existing advisory clients as required by April 30, 2011.

6/20/2011

The following information is added to the "Disciplinary Information" section of this document.

On May 23, 2011, without admitting or denying the findings set forth therein, Brookstone and David W. Locy ("Locy") agreed to a Letter of Acceptance, Waiver and Consent (the "settlement") in connection with the matter described below in order to avoid the expense and uncertain result inherent in litigating any regulatory enforcement proceeding.

Pursuant to the settlement, Brookstone and Locy accepted the following findings:

- Brookstone, acting through Locy, failed to establish written supervisory procedures addressing due diligence requirements for third-party private placement offerings.
- Brookstone, acting through Locy, failed to conduct adequate due diligence with respect to a particular third-party private placement offering (the "offering") before approving said offering to customers. Locy's due diligence efforts did not include an investigation into a particular equity fund related to the offering. Instead, he accepted that the firm's representatives that were putting together the offering had done the due diligence, and relied on their opinion regarding the fund notwithstanding that said representative had limited, if any, experience forming a private placement.
- At least 4 of Brookstone's representatives sold or participated in sales of the offering to customers without notifying Locy or anyone else at the firm, causing those sales to not be recorded on Brookstone's books and records.

In accordance with the terms of the settlement, Brookstone and Locy consented to the imposition of a censure and a joint and several fine in the amount of \$25,000.

8/19/2011

The following information is added to the "Disciplinary Information" section of this document.

On August 8, 2011, without admitting or denying the findings set forth therein, Brookstone agreed to a Letter of Acceptance, Waiver and Consent (the "settlement") in connection with the matter described below in order to avoid the expense and uncertain result inherent in litigating any regulatory enforcement proceeding.

Pursuant to the settlement, Brookstone accepted the following findings:

- At various times during 2009, Brookstone failed to file and/or timely file five required amendments to uniform termination notices for securities industry registration (Forms U4).
- Brookstone also filed two late amendments to uniform termination notices for securities industry registration (Form U5)

In accordance with the terms of the settlement, Brookstone consented to the imposition of a censure and a fine in the amount of \$15,000.

10/14/2011

The following information is added to the “Disciplinary Information” section of this document.

On 9/27/2011, Brookstone has settled FINRA disciplinary proceeding No. 200901725301 with a payment of a \$200,000 fine. The firm agreed to these favorable settlement terms to avoid further expenses and costs, including the additional legal fees that would inevitably result from having to defend the action on the merits, and the inconvenience, distraction and valuable time that would be lost litigating the dispute. Moreover, the firm agreed to settle because the terms of the settlement explicitly provided the settlement was not an admission of any of the allegations set forth in the complaint or the “entry of findings”. The settlement specifically states that “Respondents have consented, without admitting or denying the allegations of the complaint...to the entry of findings and violations consistent with the allegations of the complaint...” {Section 10(b) of the Exchange Act, SEC Rule 10b-5, NASD Conduct Rules 2010, 2110, 2120, 2310, 2510, 3010(a) and (b)}. The circumstances leading to the disciplinary action were related to the criminal activities of a rogue broker who was briefly registered with Brookstone from 04/16/2008 to 04/03/2009.

On 9/27/2011, Mr. Turbeville has settled FINRA disciplinary proceeding No. 200901725301 with a payment of a \$10,000 fine and a 3 month suspension (10/17/2011 – 1/16/2012) in his principal capacities only. He agreed to these favorable settlement terms to avoid further expenses and costs, including the additional legal fees that would inevitably result from having to defend the action on the merits, and the inconvenience, distraction and valuable time that would be lost litigating the dispute. Moreover, Mr. Turbeville agreed to settle because the terms of the settlement explicitly provided the settlement was not an admission of any of the allegations set forth in the complaint or the “entry of findings”. The settlement specifically states that “Respondents have consented, without admitting or denying the allegations of the complaint...to the entry of findings and violations consistent with the allegations of the complaint...”{NASD Conduct Rules 2110, 3010(a) and (b), and FINRA Rule 2010}. The circumstances leading to the disciplinary action were related to the criminal activities of a rogue broker, who was briefly registered with Brookstone from 04/16/2008 to 04/03/2009. Mr. Turbeville was the Chief Executive Officer during that time period.

On 9/27/2011, Mr. Locy has settled FINRA disciplinary proceeding No. 200901725301 with a payment of a \$10,000 fine and a 3 month suspension (10/17/2011 – 1/16/2012) in his principal capacities only. He agreed to these favorable settlement terms to avoid further expenses and costs, including the additional legal fees that would inevitably result from having to defend the action on the merits, and the inconvenience, distraction and valuable time that would be lost litigating the dispute. Moreover, Mr. Locy agreed to settle because the terms of the settlement explicitly provided the settlement was not an admission of any of the allegations set forth in the complaint or the “entry of findings”. The settlement specifically states that “Respondents have consented, without admitting or denying the allegations of the complaint...to the entry of findings and violations consistent with the allegations of the complaint...” {NASD Conduct Rules 2110, 3010(a) and (b), and FINRA Rule 2010}. The circumstances leading to the disciplinary action were related to the criminal activities of a rogue broker, who was briefly registered with Brookstone from 04/16/2008 to 04/03/2009. Mr. Locy was the Chief Operating Officer and President of Brookstone during that time period.

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4. ADVISORY BUSINESS

Brookstone Securities, Inc. (also referred to in this document as “Brookstone” or “we”, “We”) is a securities broker-dealer providing securities related products and services since 2005 and investment advisory related products and services since 2006.

Brookstone, through its Investment Adviser Representatives (“IARs”), provides:

- IAR directed asset management services for the client accounts held at First Southwest Company;
- Selection of advisory programs or services directed by third party investment advisory firms; and
- Financial planning or consulting services.

Please note that Brookstone does not hold itself out as specializing in a particular type of advisory product or service.

4.1 Types of Advisory Services We Offer

In this section, we provide an explanation regarding each type of advisory product and service we offer to our clients. Please feel free to ask your Brookstone Representative questions regarding this information. If you should still have questions at that time, please call the Representative’s Supervisor or the firm’s Home Office and talk to Brookstone’s Sales Supervisor.

4.1.1 IAR Directed Asset Management Services

When clients wish to have their assets managed by investing them in securities, clients enter into an IAR Directed Asset Management Services arrangement.

Under this arrangement, IARs will meet with clients to analyze their needs to determine if this type of advisory-client arrangement is appropriate by collecting the client’s financial information including the client’s suitability information. When it has been determined that this type of arrangement is appropriate, the IAR recommends the client to open an account to hold the assets and execute securities transactions with a firm with which Brookstone has an introducing broker-dealer arrangement with. Please note that at the present time, Brookstone has an introducing broker-dealer arrangement with First Southwest Company.

Based on the information provided by the client, the IAR assists the client in determining a suitable investment(s) for the client’s assets in the account. The IAR helps the clients select investments in various asset types and specific securities, such as stocks, bonds, exchange traded funds, open-end funds, closed-end funds, etc.

The IAR can make investment decisions regarding the selection of securities types and specific securities in the client’s account if the client grants an authority (aka discretionary trading authorization or investment discretion) to the IAR. If the IAR does not have such authority, the client makes the selection of securities types and specific securities. (Please refer to section 16 of this document for more information regarding investment discretion.)

For the client who selects the firm’s introducing broker-dealer arrangement, First Southwest Company (“First Southwest”) holds the client’s funds and securities. The mailing address for First Southwest is:

First Southwest Company
325 North St. Paul St, Suite 800
Dallas, TX 75201

Under this arrangement, First Southwest executes and clears all transactions and holds funds and securities in the client’s account. First Southwest maintains sole custody of assets in the account and also performs custody functions, such as crediting of interest and dividends in the account, assets and other custodial functions customarily performed with respect to securities brokerage accounts.

4.1.2 Selection of Advisory Programs or Services Sponsored by Third Parties

Brookstone maintains agreements (also known as “solicitor’s agreement”) with unaffiliated third party advisory firms for the purpose of having their products and services available to clients. Under the arrangement, IARs meet with clients to analyze the client’s need(s) of third party advisory programs or services by collecting the client’s financial information including the client’s suitability.

Based on the information provided by the client, the IAR assists the client in the selection of advisory programs or services offered by unaffiliated third party investment advisory firms. In general, the client in conjunction with the IARs recommendation makes initial decisions, such as selecting third party investment adviser(s), its specific investment style(s), strategies, and/or model portfolio(s). However, the third party investment adviser will make ongoing investment decisions of selecting securities types and/or specific securities in the client account in accordance with their investment strategies or models addressed in their disclosure document.

Under this arrangement, neither Brookstone nor IARs make any custody arrangement for clients' funds and securities. Each third party investment advisory firm makes broker-dealer or custody arrangements. The broker-dealer and/or the custodian hold clients' funds and securities. Please note that neither Brookstone nor its IARs participate in any securities transactions.

4.1.3 Financial Planning or Consulting Services

When clients wish to consult about financial planning, or any related issues, the client enters into the firm's financial planning arrangement with IARs for such services.

Under the financial planning or consulting services arrangement, IARs meet with clients to analyze the client's need(s) of financial planning or consulting services. When determined that the client is in need of such service, Brookstone's IARs collect extensive financial information, such as past financial history, present financial position, and the financial goals the client wishes to achieve. Based on the information provided by the client, the IAR provides advice on one or more of the following areas, but not limited to:

- Portfolio review and asset allocation service
- Tax planning
- Retirement planning
- Education planning
- Estate planning

Please note that neither Brookstone nor its IARs offer any tax or legal services. Therefore, clients should discuss such matters with their independent tax or legal advisor. Furthermore, under this arrangement, neither Brookstone nor IARs give any specific securities recommendations. The client is responsible for making investments and investment decisions based on the IARs recommendations. Please note that if the IAR makes specific securities product recommendations to implement financial plans or consulting services, the IAR is giving such recommendations separately from the financial plan or consulting service. In this case, the IAR is acting in the capacity of a securities broker-dealer registered representative. In other words, the IAR is also acting as a registered representative of a securities broker-dealer.

Clients should understand their relationship with their Brookstone representative. Their relationship could be based on:

- Advisory service provider and client relationship with fee arrangement;
- Securities broker-dealer representative and client relationship with commission arrangement; or
- Both

Please ask your Brookstone Representative questions regarding your relationship arrangement with the Representative. If the answer to your question is not clear or not to your satisfaction, please call the Representative's Supervisor or the firm's Home Office and talk to the Brookstone's Sales Supervisor.

4.2 Amount of Client Assets

As of March 30, 2012, Brookstone's IARs manage approximately 74 million dollars on a discretionary basis and approximately 4 million dollars on a non-discretionary basis. The amount of assets is based on the account closing balance obtained from the qualified custodian.

As of March 30, 2010, Brookstone has about approximately 5 million dollars managed by unaffiliated third party investment advisory firms.

4.3 Principal Owner

Antony L. Turbeville, as an owner of Brookstone Capital Management, LLC, which is the holding company of Brookstone Securities, Inc., owns more than 75% of the ownership of the firm.

5. FEES AND COMPENSATION

All Brookstone advisory fees are subject to negotiation. Furthermore, lower fees for comparable services may be available from other sources.

For IAR Directed Asset Management Services

Clients pay Brookstone and IARs the asset based Advisory Fee for services performed in connection with the program. Clients can negotiate their Advisory Fee with IARs. However, if the Brookstone's system for billing and reporting requires significant customization to accommodate the negotiated fee schedule, the IAR will notify the client as such.

The Advisory Fee should not exceed the fee schedule below.. Neither Brookstone nor IARs will charge the Advisory Fee based in any manner or respect to capital gains or capital appreciation of assets in the account.

Under this IAR directed asset management services, for the accounts held at First Southwest Company, Brookstone through a third party billing and reporting system, Concord, calculates the Advisory Fee based on the account balance at the end of each billing period. The client can select either a monthly or quarterly billing period. In other words, the Advisory Fee will be calculated and charged either monthly in arrears or quarterly in arrears. Below is a default asset based advisory fee schedule for the accounts held at Frist Southwest Company. When a client does not select or have any negotiated fee schedule (which is lower than the default fee schedule) with the customer's IAR, the default fee schedule will be automatically applied.

Value (\$)	Standard Fee Schedule
First \$250,000	2.25%
Next \$250,000	2.00%
Next \$500,000	1.75%
Next \$1,000,000	1.25%
Over \$2M	1.00%

On termination, Brookstone will deduct from the client's account or send a bill for the remaining Advisory Fee based on the number of days the account was open during the last billing period.

If clients execute the advisory agreement at any time other than on the first day of a calendar month or quarter, Brookstone will calculate and charge the client for a pro-rated initial Advisory fee. In other words, the initial payment will be pro-rated if this agreement is executed at any time other than on the first day of a calendar month or quarter. The client may choose how they wish to pay the Advisory Fee, either by sending Brookstone a check or by having the Advisory Fees deducted directly from the account.

In addition to the Advisory Fee, clients will pay other charges or fees, such as:

- Miscellaneous Fees or Ticket Charges or Transaction Fees
- Mutual fund distribution fees
- IRA or qualified retirement plan fees
- Custodian fees
- Contingent deferred sales charge
- Account closing fees
- Annual maintenance fees

For any charges associated with maintaining the account with First Southwest Company, refer to the document provided to you prior to or at the time the account was opened. The schedule of other charges or fees is also attached with the advisory agreement.

Please note that for the client's accounts held under the introducing broker-dealer arrangement, Brookstone receives a portion of the transaction charges. Refer to the Fee Disclosure document which is a part of the advisory agreement. In addition, certain investment company products, such as mutual funds, pay distribution fees (also known as 12(b)-1 fee or trail), a portion of or all of which are received by Brookstone Securities, a broker dealer, and the IAR in his/her capacity as a Registered Representative of Brookstone Securities.

Selection of Advisory Programs or Services Offered by Third Party Investment Advisory Firms

Under this arrangement, clients pay third party investment advisers, program fees including advisory fees, as disclosed in the advisory agreement or disclosure document (also known as Brochure), for services performed in connection with the third party investment adviser's products or services.

Brookstone and its IARs receive referral fees from the third party investment adviser. Clients must also acknowledge such compensation arrangement by signing the solicitor's acknowledgement.

Financial Planning or Consulting Services

The IAR and the client will negotiate fees. In general, fees may be charged on an hourly basis up to \$200 an hour or on a flat-fee up to \$1,500. Clients may terminate the arrangement without penalty within five (5) business days from the signing of the agreement.

6. PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Brookstone does not charge any performance-based fees or fees based on a share of capital gains or capital appreciation of the assets of a client.

7. TYPES OF CLIENTS

Brookstone provides its advisory services to individuals, high net worth individuals, private corporations, and pension plans.

8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Brookstone does not have any proprietary advisory programs or services directly sponsored by Brookstone. Rather, Brookstone provides advisory services through its IARs. Therefore, Brookstone does not have any proprietary analysis or investment strategies or investment formula in providing or managing clients' accounts. Brookstone does, however, have the ability to use any third party research providers to tailor investment models and/or strategies to meet clients' needs.

For IAR directed asset management services, each IAR will develop their own investment strategies or a group of portfolio strategies or asset allocation models based on each IARs research and analysis. Each IAR will provide a copy of the IARs brochure supplement with information regarding models or strategies the IAR utilizes.

Please note that certain IARs recommend or implement investment strategies, such as tactical allocation or timing strategies, which generally require frequent trading of securities in the account. Frequent trading activities in the account do not guarantee profitability in the account. Frequent trading activities do not guarantee probability of making profits in the account either; rather, it can increase the overall risk. Since frequent trading incurs substantial transaction charges, such trading strategies could reduce the overall profitability in the account. Frequent trading activities also have tax ramifications. Brookstone urges clients to consult with a competent tax advisor or tax consultant in this subject matter.

9. DISCIPLINARY INFORMATION

Brookstone provides the following information regarding legal or disciplinary events ("the Events") that might be material to clients' evaluation of Brookstone or the integrity of Brookstone's management person.

Event 1) On April 30, 2010, FINRA fined Brookstone \$17,500 due to the following findings by FINRA.

- Brookstone failed to ensure that each of its Registered Representatives and Registered Principals participated in the firm's annual compliance meeting.
- The firm failed to timely update a Registered Representative's Form U-4 (U4 is an application that individuals complete and submit for their securities license registration) to disclose required information and

failed to timely disclose two customer complaints pursuant to NASD Rule 3070. Brookstone failed to report five quarterly statistical customer complaints; failed, in instances, to create and maintain a record of customers' complaint and related records that included that complainant's information. And alternatively, failed to maintain a separate file that contained complainant's information.

- The firm failed to report transactions to trace and failed to evidence the creation and maintenance of order tickets for sell transactions in corporate bond transactions.

Event 2) On May 23, 2011, without admitting or denying the findings set forth therein, Brookstone and David W. Locy ("Locy") agreed to a Letter of Acceptance, Waiver and Consent (the "settlement") in connection with the matter described below in order to avoid the expense and uncertain result inherent in litigating any regulatory enforcement proceeding. Pursuant to the settlement, Brookstone and Locy accepted the following findings:

- Brookstone, acting through Locy, failed to establish written supervisory procedures addressing due diligence requirements for third-party private placement offerings.
- Brookstone, acting through Locy, failed to conduct adequate due diligence with respect to a particular third-party private placement offering (the "offering") before approving said offering to customers. Locy's due diligence efforts did not include an investigation into a particular equity fund related to the offering. Instead, he accepted that the firm's representatives that were putting together the offering had done the due diligence, and relied on their opinion regarding the fund notwithstanding that said representative had limited, if any, experience forming a private placement.
- At least 4 of Brookstone's representatives sold or participated in sales of the offering to customers without notifying Locy or anyone else at the firm, causing those sales to not be recorded on Brookstone's books and records.

In accordance with the terms of the settlement, Brookstone and Locy consented to the imposition of a censure and a joint and several fine in the amount of \$25,000.

Event 3) On August 8, 2011, without admitting or denying the findings set forth therein, Brookstone agreed to a Letter of Acceptance, Waiver and Consent (the "settlement") in connection with the matter described below in order to avoid the expense and uncertain result inherent in litigating any regulatory enforcement proceeding. Pursuant to the settlement, Brookstone accepted the following findings:

- At various times during 2009, Brookstone failed to file and/or timely file five required amendments to uniform termination notices for securities industry registration (Forms U4).
- Brookstone also filed two late amendments to uniform termination notices for securities industry registration (Form U5)

In accordance with the terms of the settlement, Brookstone consented to the imposition of a censure and a fine in the amount of \$15,000.

Event 4) On 9/27/2011, Brookstone has settled FINRA disciplinary proceeding No. 200901725301 with a payment of a \$200,000 fine. The firm agreed to these favorable settlement terms to avoid further expenses and costs, including the additional legal fees that would inevitably result from having to defend the action on the merits, and the inconvenience, distraction and valuable time that would be lost litigating the dispute. Moreover, the firm agreed to settle because the terms of the settlement explicitly provided the settlement was not an admission of any of the allegations set forth in the complaint or the "entry of findings". The settlement specifically states that "Respondents have consented, without admitting or denying the allegations of the complaint...to the entry of findings and violations consistent with the allegations of the complaint..." {Section 10(b) of the Exchange Act, SEC Rule 10b-5, NASD Conduct Rules 2010, 2110, 2120, 2310, 2510, 3010(a) and (b)}. The circumstances leading to the disciplinary action were related to the criminal activities of a rogue broker who was briefly registered with Brookstone from 04/16/2008 to 04/03/2009.

Mr. Antony Turbeville has settled FINRA disciplinary proceeding No. 200901725301 with a payment of a \$10,000 fine and a 3 month suspension (10/17/2011 – 1/16/2012) in his principal capacities only. He agreed to these favorable settlement terms to avoid further expenses and costs, including the additional legal fees that would inevitably result from having to defend the action on the merits, and the inconvenience, distraction and valuable time that would be lost litigating the dispute. Moreover, Mr. Turbeville agreed to settle because the terms of the settlement explicitly provided the settlement was not an admission of any of the allegations set forth in the complaint or the "entry of findings". The settlement specifically states that "Respondents have consented, without admitting or denying the allegations of the complaint...to the entry of findings and violations consistent with the allegations of the complaint..." {NASD Conduct Rules 2110, 3010(a) and (b), and FINRA Rule 2010}. The circumstances leading to the disciplinary action were related to the criminal activities of a rogue broker who was briefly

registered with Brookstone from 04/16/2008 to 04/03/2009. Mr. Turbeville was the Chief Executive Officer during that time period.

Mr. David Locy has settled FINRA disciplinary proceeding No. 200901725301 with a payment of a \$10,000 fine and a 3 month suspension (10/17/2011 – 1/16/2012) in his principal capacities only. He agreed to these favorable settlement terms to avoid further expenses and costs, including the additional legal fees that would inevitably result from having to defend the action on the merits, and the inconvenience, distraction and valuable time that would be lost litigating the dispute. Moreover, Mr. Locy agreed to settle because the terms of the settlement explicitly provided the settlement was not an admission of any of the allegations set forth in the complaint or the “entry of findings”. The settlement specifically states that “Respondents have consented, without admitting or denying the allegations of the complaint...to the entry of findings and violations consistent with the allegations of the complaint...” {NASD Conduct Rules 2110, 3010(a) and (b), and FINRA Rule 2010}. The circumstances leading to the disciplinary action were related to the criminal activities of a rogue broker who was briefly registered with Brookstone from 04/16/2008 to 04/03/2009. Mr. Locy was the Chief Operating Officer and President of Brookstone during that time period.

Due to the following facts, there are certain Events Brookstone has determined not to be material and therefore have been excluded from the list of Events:

- Brookstone no longer offers the same product or services involved in the Event to individual investors;
- Management person(s) involved or named in certain Events no longer deals with individual investors;
- Certain Events are still pending, therefore no conclusive findings have been made; and/or
- Certain Events were occurred inadvertently by the regulator.

Brookstone’s Form ADV Part I with all Events information, including those deemed not material, may be requested by contacting the firm’s Compliance Department at 863-687-3679. Such information is also available on the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Brookstone who are registered, or are required to be registered, as investment adviser representatives of Brookstone.

10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Brookstone is a dually registered broker-dealer offering various securities and related services, and investment advisory products and services. In other words, Brookstone is a securities broker-dealer and investment advisory firm. The majority of Brookstone’s business consists of the securities brokerage and insurance services. Therefore, IARs can also provide securities and securities related services as Registered Representatives to their advisory clients. Brookstone and IARs receive compensation for offering securities products and related services.

Certain principals, control persons or board members also engage in activities or business other than those involved in or related to Brookstone Securities, Inc.

- (1) David Locy, who is the firm’s CFO, provides tax and accounting services outside of his capacity as the firm’s CFO. As a CPA, Mr. Locy provides tax and accounting services for Brookstone Securities. However, Mr. Locy’s role as a tax consultant is an outside business. Due to the fact that there are no securities or investment related activities involved, there is no apparent conflict of interest.
- (2) Antony Turbeville, who is an owner of Brookstone Capital Management, LLC, which owns Brookstone Securities, Inc., provides advice to individuals who are pursuing qualification for Medicaid Nursing Home benefits. Mr. Turbeville provides this service and related services under Platinum Financial Planning, Inc. Antony Turbeville also owns and controls Platinum Financial Planning. Please note that there is no formal business or compensation sharing arrangement between Brookstone Securities, Inc. and Platinum Financial Planning, Inc.

Mr. Turbeville owns Brookstone Notes Services, LLC which owns certain real estate which is also leased to Brookstone Securities, Inc.

Antony Turbeville also engages or is involved in various businesses or business activities with or through unrelated and unaffiliated parties. Due to the fact that they are not securities or investment related, they are not listed in this section.

More information regarding Mr. Locy’s and Mr. Turbeville’s other business activities please visit the SEC’s web site www.adviserinfo.sec.gov, or broker check under www.finra.org.

Arrangement with Unaffiliated Third Party Investment Advisory Firms

As mentioned in section 4 of this document, Brookstone has selling agreements with various unaffiliated third party investment advisory firms for the purpose of having their programs or services available to our clients. (This type of program is also referred to as “Advisory programs or services offered by third party Investment Advisory firms” herein this document). Under this arrangement, Brookstone and IARs receive compensation as a result of referring clients to third party advisory firms.

Due to the fact that this agreement is strictly a referral arrangement, neither Brookstone nor its IARs participates in or affects any decisions regarding securities transactions. In other words, the unaffiliated third party investment advisory firms independently make decisions on selecting specific types of securities or securities. Therefore, when/if Brookstone restricts certain securities for transactions due to the fact that Brookstone, its employees, IARs, or its associated persons may have obtained or possessed, intentionally or inadvertently, any material non-public information, Brookstone will not share such restriction information with unaffiliated third party advisory firms. Consequently, third party advisory firms could affect transactions of such securities. Such transactions will also give an appearance of insider trading. However, as mentioned earlier, since neither Brookstone nor its associated persons, including IARs, participate in the securities selection process, we will not view them as insider transactions.

11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

11.1 Code of Ethics

Brookstone has adopted a Code of Ethics describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics also includes provisions relating to the confidentiality of client information, prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things.

Brookstone designed the Code of Ethics to ensure that the personal securities transactions, activities and interests of the supervised persons of Brookstone will not interfere with (i) making decisions in the best interest of their clients and (ii) implementing such decisions while, at the same time, allowing them to invest for their own accounts.

Brookstone’s clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the firm’s Compliance Department.

11.2 Participation or Interest in Client Transactions

It is Brookstone’s policy that the firm will not affect any principal or agency cross securities transactions for advisory clients’ accounts. Further, Brookstone will not cross trades between client accounts. Brookstone executes all equity transactions for First Southwest held advisory accounts on an agency basis. Brookstone executes fixed income securities on an agency basis through the firm’s riskless principal fixed income trading account.

IARs will possibly recommend securities in which they directly or indirectly have a financial interest in, and buy and sell securities for their own or other accounts for securities they recommend for purchase or sale by advisory clients.

Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client.

An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

11.3 Personal Trading

Brookstone’s policy does not prohibit its IARs from investing in the same securities as clients. However, the IARs Supervisor monitors each IARs personal securities transactions. In addition, to reasonably prevent conflicts of interest between IARs and their clients, in some circumstances, when determined that an IAR has received a better execution price than the client on the same day for the same security, Brookstone will require the IAR to cancel the transaction and give the better executed priced transaction to the client, if possible.

Certain IARs may trade in the same securities with client accounts on an aggregated basis when consistent with Brookstone's obligation of best execution. In such circumstances, the IAR and client accounts will receive securities at a total average price. Please refer to section 12.4 of this document regarding trade aggregation.

12. BROKERAGE PRACTICES

12.1 Soft Dollar Practices

At the present time, Brookstone does not have any soft dollar arrangement. When Brookstone enters into any soft dollar arrangement, it will be disclosed in this section.

12.2 Client Referrals

Brookstone does not receive any compensation or reward from unaffiliated third party broker-dealers for referring our clients for transactions with the broker-dealer.

However, as mentioned in section 4 of this document, when clients open an account under the firm's introducing broker-dealer arrangement with First Southwest, Brookstone and its IARs, in its capacity as a broker-dealer and Registered Representatives, receive transaction based compensation.

12.3 Directed Brokerage

Brookstone does not direct its advisory clients' transactions to any particular broker-dealer. However, when/if a client wishes to direct his or her brokerage transaction to certain broker-dealer, Brookstone will facilitate such request. However, Brookstone may be unable to obtain the most favorable execution of client transactions if the client directs brokerage and that directing brokerage may be more costly for clients.

12.4 Trade Aggregation (Also Known As Bunching Trade or Bundled Trade)

Brookstone or IARs will aggregate discretionary securities transactions, if needed. In addition, securities transactions of IARs' personal or related accounts can be included in aggregated securities transactions.

Please note that since Brookstone does not maintain its clients' securities and funds in an omnibus account, and clearing firm charges transaction cost per transactions booked in each client account, neither Brookstone nor clients will receive or be charged different transaction cost.

Brookstone or IARs utilize trade aggregation for the purpose of giving equal price to clients when the transaction is for the same security in multiple accounts on a given day. By doing so, all clients participating in the transaction will receive the same price. By doing so, Brookstone and IARs will not favor one customer over another in placing the securities transactions order. It will also help to eliminate any conflict of interest raised when the IAR participates in the same securities transaction with clients.

For IAR directed discretionary program, IARs will bunch the securities transactions for client accounts. By doing so, the client accounts will receive the average price of the execution. When/if bunching trade is not available (i.e., system failure or technical difficulty), IARs may enter securities one at a time. In this case, each transaction will or may receive different price. However, the firm's policy prohibits IARs from exercising their favoritism of one customer over another customer in the order entry. The IAR will provide you a list of all prices executed for his or her customer accounts on the same day for the same security and the same side of transactions per your request.

13. REVIEW OF ACCOUNTS

As mentioned in section 4 of this document, Brookstone through its IARs, provides advisory services, such as financial planning services, IAR directed asset management services, and selection of third party sponsored advisory programs. For financial planning services, generally, IARs provide reviews per the client's request. Therefore, the frequency of review varies based on the client's needs and requests. For IAR directed asset management services, the IAR initially reviews the client's investment objectives, financial status, financial goals, and needs. The IAR will also contact the client at least annually to review financial status, goals, and objectives. The annual contact is for the purpose of determining what, if any, adjustments or recommendations the IAR should make to the client's account. IARs and their Supervisors are responsible for ensuring timely reviews and suitable recommendations for clients participating in third party sponsored advisory programs. Please ask your

IAR who the Supervisor is and obtain the Supervisor's contact information. We will also include such information in each IAR brochure supplement.

14. CLIENT REFERRALS AND OTHER COMPENSATION

Neither Brookstone nor its IARs compensate any unaffiliated individuals or entities for client referrals. However, Brookstone and IARs receive compensation from unaffiliated third party investment advisory firms for client referrals.

Brookstone maintains its IAR directed asset management accounts with First Southwest Company under the introducing broker-dealer arrangement. (This topic was previously discussed in section 4 of this document.)

For accounts held with a clearing firm, First Southwest Company, under the introducing broker-dealer arrangement, Brookstone, in its capacity as a broker-dealer, receives transaction based compensations, in addition to the advisory fees, as a mark-up from the transaction cost charged by the clearing firm. Brookstone does not share the profit from this mark-up with its IARs. Brookstone also receives additional revenue from certain costs charged by First Southwest. Brookstone does not share such revenue with its IARs. Therefore, it does not create additional conflicts of interest for IARs when they participate or direct any securities transactions for their advisory client accounts held under this arrangement.

In addition, for investment companies products, including money market funds held at the clearing firm under the introducing broker-dealer arrangement and directly purchased with the investment companies, Brookstone and IARs in their broker-dealer and broker-dealer representative's capacity receive additional compensation including trails, such as 12(b)-1 fee. Therefore, the additional compensation Brookstone and/or its IARs receive in connection with the recommendation of client's accounts to be held will possibly pose a conflict of interest for Brookstone and IARs to promote or recommend a certain clearing firm or broker-dealer for their clients' assets to be held.

This conflict exists due to the fact that Brookstone is acting in both advisory and broker-dealer capacity. To ensure that Brookstone's capacity does not hinder IARs in providing advisory services to their clients, Brookstone does not promote or offer any proprietary products, therefore allowing IARs to tailor investment programs according to their clients' objectives and needs.

If Brookstone holds any internal meetings, such as annual national or regional conferences, Brookstone will receive contribution from unaffiliated third party product sponsors and service providers for the exchange of offering them a booth or presentation opportunities during the conference. The purpose of the annual or national conferences are to provide ongoing educational and training opportunities to the firm's Representatives in various areas, including advisory products and services and compliance related items in such subject matters.

Clients do not pay more to purchase products or services provided by the contributing sponsors or providers. Nevertheless, the receipt of such contribution will possibly provide a financial incentive for Brookstone to promote certain products or services over others. However, Brookstone does not pass any financial or economic benefit received from such product providers to IARs. Therefore, such contribution should not raise any direct conflict of interest in IARs providing advisory services to their clients.

When IARs attend seminars or training and educational conferences sponsored by third party product or service providers, costs of attending such events will be reimbursed by the product provider. However, neither Brookstone nor IARs receive any economic or financial benefit from attending such event.

In addition for reimbursement of attending events sponsored by third party product or services providers, Brookstone or its IARs can receive promotional items, meals or entertainment or other non-cash compensation from the sponsor as permitted by regulatory rules and internal policies and procedures.

15. CUSTODY

Neither Brookstone nor IARs maintain custody of any client funds or securities.

Clients will receive at least quarterly statements directly from the broker-dealer, bank or other qualified custodian that holds and maintains client's assets. Account statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Clients should carefully review those statements.

In addition, depending on third party investment advisory firms, clients participating in third party investment advisory programs will also receive additional account statements (such as Quarterly Performance Report) from the third party

investment adviser, if available. Brookstone urges clients to carefully review such statements and compare them to the account statements clients receive directly from the qualified custodian.

16. INVESTMENT DISCRETION

For IAR directed asset management services, IARs make investment decisions in selecting securities types and specific securities when clients choose IARs to manage their accounts on a discretionary basis. IARs will not exercise such discretion unless the client grants such discretionary authority by signing and selecting a discretionary advisory agreement. Please note that the IARs discretion is limited to choosing securities purchased or sold and amount of securities purchased or sold.

In all cases, however, the IAR should exercise such discretion in a manner consistent with the stated investment objectives for the particular client account. The IAR will also rebalance and reallocate the account when the IAR determines such rebalancing or reallocating is appropriate.

For third party investment advisory program accounts, the third party investment adviser makes investment decisions on selecting securities types and specific securities. Third party investment advisers will also rebalance and reallocate clients' accounts when the third party investment adviser determines such rebalancing or reallocating is appropriate. Please note that neither Brookstone nor its IARs make any decisions on selecting any securities types or specific securities for the accounts managed by third party investment advisory firms.

17. VOTING CLIENT SECURITIES

Neither Brookstone nor IARs take any action or render any advice to clients with respect to the voting of proxies solicited by, or with respect to, the issuers of any securities held in clients' accounts.

In other words, clients retain the authority and responsibility to vote proxies for their accounts. The custodian will directly deliver all proxies and materials to the client. In addition, neither Brookstone nor IARs have any obligation to render advice or take any action with respect to securities or other investments, or the issuers thereof, which become subject to any legal proceeding, including bankruptcies.

For third party investment advisory program accounts, clients can delegate the third party investment adviser for proxy voting if the third party investment adviser accepts such authority and responsibility on behalf of clients. For third party investment advisers' proxy voting practice, please refer to section 17 of the third party investment adviser's disclosure document.

18. FINANCIAL INFORMATION

Neither Brookstone nor its IARs:

- Have or maintain clients' funds or securities in its possession;
- Have discretionary authority over client assets; or
- Require or solicit prepayment of more than \$1,200 and six months or more in advance in advisory fees.

Therefore, neither Brookstone nor IARs have financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

In addition, Brookstone has not been the subject of a bankruptcy proceeding.