

Form ADV Part 2 Brochure
Dated September 17, 2013

Brookstone Capital Management, LLC

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This Form ADV Part 2 (“Brochure”) provides information about the qualifications and business practices of Brookstone Capital Management, LLC, CRD Number 141413. 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, LLC is also available on the SEC’s website at 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.

ITEM 2 - MATERIAL CHANGES

This Brochure, dated September 17, 2013, is prepared in accordance with the requirements and rules adopted by the United States Securities and Exchange Commission (“SEC”). Part 2A of Form ADV requires investment advisers to provide narrative, plain English disclosures regarding their advisory business in order to provide clients and prospective clients with more meaningful information about the adviser and its business practices.

This Brochure is being amended to reflect the following change(s):

Item 4 – Advisory Business – has been updated to include those services whereby Brookstone may, from time to time, utilize a Third Party Adviser to manage a portion or all of a client’s assets. Additionally, language has been included in this Item describing how the Firm may participate as a sub-advisor under an independently sponsored Wrap Program.

Item 5 – Fees and Compensation – updated to reflect inclusion of “technology fee” for all clients holding managed accounts with the Firm. Also, fees describing relationships whereby Brookstone either participates as a sub-advisor under an independently sponsored Wrap Program, or utilizes a Third Party Adviser to manage a portion or all of a client’s assets have been included.

Because of the amount of details provided within the brochure, Brookstone Capital Management, LLC (“Brookstone” or the “Firm”) encourages each client to read this brochure carefully and to contact us with any questions you may have.

Pursuant to SEC Rules, Brookstone will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of Brookstone’s fiscal year. Additionally, as Brookstone experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover. For more information about the Firm, please visit www.brookstonecm.com.

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ITEM 4 – ADVISORY BUSINESS

A. Description of Firm

Founded in 2006, Brookstone is an Illinois-based investment advisory firm providing fee based asset management services for clients, as well as comprehensive financial planning services.

The Firm is registered with the SEC, and owned by Dean Zayed, with principal management provided by Dean Zayed, President, and Courtney Bonstrom, Chief Compliance Officer.

B. Types of Advisory Services Offered

Brookstone provides Asset Management and Financial Planning Services for its clients, each of which is more fully described below. Dependent on which financial adviser is appointed to separately manage a client's account, the management of a particular strategy selected for the account may vary for similarly situated clients who have similar goals, yet varied prior experiences.

1. Asset Management Services

Brookstone's principal service is providing fee-based investment advisory services. The advisor practices management of portfolios, on a discretionary basis, according to the client's objectives. The advisor uses mutual funds, exchange traded funds, unit investment trusts, real estate investment trusts, Structured Products (including certificates of deposit and notes), and options in securities to accomplish this objective. The advisor's primary approach is to use a tactical allocation strategy aimed at reducing risk and increasing performance. A client's portfolio is allocated according to the client's risk profile. The advisor measures and selects mutual funds 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, fund expenses, and other factors believed to effect fund performance. The advisor may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. The advisor may recommend specific investments to increase sector weighting and/or dividend potential. The advisor may recommend employing cash positions as a possible hedge against market movement which may adversely affect the portfolio. The advisor may recommend 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, overvaluation or overweighting of the position(s) in the portfolio, change in risk tolerance of client, or any risk deemed unacceptable for the client's risk tolerance.

In some instances, Brookstone's Managed Strategies (please see Item 8 below for further information on such Strategies) are also offered through certain wrap programs (each, a "Wrap Program"), which are sponsored by unaffiliated multi-service financial institutions (each, a "Wrap Sponsor"). A list of such Wrap Programs may be found in Part 1 of our Form ADV. For further information on Wrap Programs please refer to the section below on "Advisory Agreements" and also Item 5 "Fees and Compensation."

2. Financial Planning Services

Brookstone also offers comprehensive financial planning services for individuals, families and businesses. Our Financial Planning services include data gathering and analysis, along with creating a financial plan with specific recommendations and implementation advice tailored to client needs. Specific areas of advice include investment planning, insurance needs assessment and advice, retirement planning, cash flow management, debt consolidation, capital needs assessments, educational planning, estate planning, and business planning.

Should a client decide to implement any recommendations contained in their financial plan, the client may, but is under no obligation to, utilize the Firm or one of its representatives to implement those recommendations. Financial planning clients who wish to engage the Firm for portfolio management services may be required to enter into a separate written agreement with the Firm for such services, for which the Firm will be paid a separate and additional fee based on assets under management in accordance with the fee schedule set forth under Item 5, below.

There can be no assurance that the Firm's financial planning services or any products recommended by a financial plan are at the lowest available cost. Clients are advised that potential conflicts of interest exist if the Firm recommends its own investment management services. Specifically, clients should be aware that a conflict may exist between the Firm's interests and the interest of the client if the client implements the financial plan through the Firm, for the Firm will receive additional payment from the client in the form of advisory fees. This may act as an incentive to the Firm to make certain recommendations in the financial plan or to advise the client to instruct the Firm to implement the plan. Clients also should be aware that other advisory firms may charge lower fees for providing such services.

3. Recommendation of Independent Advisers

In addition to serving as a sub-adviser to certain wrap programs, Brookstone may, from time to time and based upon information received from the client, utilize the services of an independent third-party investment adviser ("TPA") to manage some or all of a client's assets. In these situations, Brookstone offers consulting and advisory services in overseeing such TPAs. The Firm makes recommendations regarding the suitability of a TPA and their investment style based on, but not limited to, the client's financial needs, long-term goals and investment objectives.

The TPAs selected by Brookstone are diversified among multiple strategies, asset classes, regions, industry sectors and securities. Once a TPA is selected, Brookstone continues to monitor the chosen managers to ensure that they adhere to the philosophy and investment style for which they were selected and to ensure that the TPA's performance portfolio strategies and management remain aligned to the client's overall investment goals and objectives. Brookstone will retain discretionary authority to hire and fire TPAs and reallocate the client's assets to other TPAs, where such action is deemed to be in the best interest of the client. Brookstone's ongoing review includes, but is not limited to, assessment of the TPA's disclosure brochure, performance information, materials (including questionnaire responses) supplied by the TPA, evaluation of the manager's investment strategies, personnel turnover, regulatory events, ownership changes and corporate earnings reports.

Fees for using a TPA vary depending upon the TPA selected, the size of the account and the services provided. The fees charged by a TPA will be in addition to those charged by the Firm (as described in Item 5 below) and will be deducted from the client's custodial account. For information regarding the TPA's minimum account size, requirements, management services and associated advisory and referral fees, please refer to the TPA's client disclosure brochure and other TPA materials.

The client, Firm or TPA may at any time terminate the advisory relationship. If the TPA is compensated in advance, the client will typically receive a pro rata refund of any prepaid advisory fees upon termination of an advisory agreement. Should the Firm select a TPA to manage a portion of the client's portfolio, the Firm will instruct the TPA to deliver a copy of its disclosure brochure to the client at the time of appointing the TPA. The Firm will periodically review the Form ADV delivery process of all TPAs.

There can be no assurance that the services of the Firm, and any TPA recommended by the Firm will be at the lowest available cost. Clients are advised that potential conflicts of interest may exist if the Firm recommends the services of TPAs that offer or provide the Firm a referral fee.

C. Important Information Relating to the Firm's Services

1. Information Received by Individual Clients

The Firm will not assume any responsibility for the accuracy of the information provided by the client. The Firm is not obligated to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Under all circumstances, clients are responsible for promptly notifying the Firm in writing of any material changes to the client's financial situation, investment objectives, time horizon, or risk tolerance. In the event that a client notifies the Firm of changes in the client's financial circumstances, the Firm will review such changes and recommend any necessary revisions to the client's portfolio.

2. Advisory Services, Agreements and Disclosures

Prior to engaging the Firm to provide Asset Management or Financial Planning services, the client will be required to enter into one or more written agreements with the Firm setting forth the terms and conditions under which the Firm shall render its services (collectively the "Agreement"). In accordance with applicable laws and regulations, the Firm will provide a Brochure and one or more brochure supplements to each client or prospective client prior to or contemporaneously with the execution of an investment advisory agreement. The Agreement between the Firm and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement.

Neither the Firm nor the client may assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of the Firm shall not be considered an assignment.

The Firm will provide Asset Management services, portfolio management and Financial Planning services, but will not provide custodial or other administrative services. At no time will the Firm accept or maintain custody of a client's funds or securities. Client is responsible for all custodial and securities execution fees charged by the custodian and executing broker-dealer, unless otherwise negotiated.

a. Serving as a Sub-Adviser to Independently Sponsored Wrap Programs

Intermediaries may choose to utilize Brookstone's investment strategies as part of an independently sponsored Wrap Program. As such, Brookstone may from time to time participate as a sub-advisor under other firms' sponsored Wrap Programs. Some programs may use a written Master Sub-Advisory Agreement between the Wrap Program Sponsor and Brookstone. The Master Sub-Advisory Agreement describes the advisory services to be provided, the responsibilities of Brookstone and the Wrap Program Sponsor and the terms of engagement including fees and termination.

Generally, an Independent Wrap Program Client (the "Wrap Client"), with the assistance and advice of the Independent Wrap Sponsor, selects an investment adviser, such as Brookstone, from a list of Wrap Sponsor approved advisers to provide investment management services for their assets allocated to their Wrap Program account(s). In addition, a Wrap Client receives certain other services provided by the Wrap Sponsor and/or entities affiliated with the Wrap Sponsor (such as trading execution, custodial services and, in some cases, advisory services). All services are generally provided for a single all inclusive fee (the "Wrap Fee"). The Wrap Client pays the Wrap Sponsor a Wrap Fee based upon the Wrap Client's assets allocated to their Wrap Program account(s), and the Wrap Sponsor pays the selected adviser, such as Brookstone, a portion of the Wrap Fee for providing investment management services to the Wrap Client. For the Wrap Programs that Brookstone

participates in, Wrap Clients enter into a written agreement with the Wrap Sponsor and may also enter a contract with Brookstone.

Although the types of investment management services provided by Brookstone to Wrap Clients are generally the same as the types of investment management services provided to non-wrap program clients, certain differences may exist. These include, but may not be limited to: 1) the fact that the Wrap Sponsor collects each client's investment objectives and assists the client in determining the strategy best suited for the client, and 2) that client communications regarding the investment management of a Wrap Clients' assets is generally between the Wrap Sponsor and the Wrap Client, with Brookstone only communicating with the Wrap Sponsor, unless requested otherwise by the Wrap Client or Wrap Sponsor.

Brookstone has no responsibility to assess the value of services provided by the Wrap Sponsor for a Wrap Client. Therefore, each Wrap Client should evaluate whether such a program is suitable for their needs, given factors such as the size of the account, frequency of transactions and the client's investment objectives, and also whether or not comparable or similar services are available at a lower cost if provided separately.

3. Restrictions/Guidelines Imposed by Clients

The advisory services described in this Item are 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 Advisory Representative 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.

D. Assets Under Management

As of 9/17/13, the Firm manages a total of \$ 759,717,579 in Discretionary assets on behalf of clients. Services are provided to individuals, families, retirement plans, trusts, estates, charitable organizations, or other business entities.

ITEM 5 – FEES AND COMPENSATION

The Firm charges fees based on the particular types of advisory service to be provided. The specific fees charged by the Firm for its advisory services will be set forth in each client's written Agreement with the Firm. Although the Firm believes its advisory fees are competitive, clients should be aware that lower fees for comparable services may be available from other sources.

A. Description of Fees; Fee Schedule

1. Asset Management Fees

Brookstone offers its asset management program as a wrap fee and a non-wrap program. There is no difference in the management of wrap and non-wrap programs. The only difference is pricing and how a client will pay for asset management and transaction costs. The wrap fee program is mandatory and available for any Brookstone managed models excluding the Bond, CD and Note portfolios. As such, Brookstone client accounts in Brookstone managed models do not have a choice between a Wrap and a Non-Wrap account, and all client accounts in this strategy will be charged on a Wrap Fee basis, as outlined below. Pursuant to the Agreement signed by each client, the client will pay Brookstone a quarterly 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 quarter. In the event a client should withdraw from a strategy mid quarter the prorated advisory fee will be charged at that time.

Brookstone also manages a small number of accounts, in sub-advisory capacities, that are part of unaffiliated Wrap Programs. A description of Separate Account Indexing Billing and details on the Wrap Program fee arrangements are described in a separate section of Item 5 below.

Additionally, all accounts receiving Asset Management services will be charged an annual \$50 technology fee, subject to change based on the terms, conditions, and fees of providers. For those client accounts not receiving Asset Management services from Brookstone, but having their assets held by Brookstone's custodian as part of the clients overall portfolio, a \$95 annual fee will be assessed for these technology services. These fees will be deducted automatically from client accounts and shall be used by Brookstone to utilize software allowing the Firm and its Investment Adviser Representatives 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.

i. FEE SCHEDULE I (Wrap Fee Program)

This Fee Schedule is for the following portfolios (break points are per account):

BCM Portfolios:	Income and Growth	Retirement Income Ultra-Short
Current Income	Moderate Growth	Range
Municipal Bonds	Growth	Retirement Income Short Range
Best Ideas	Aggressive Growth	Retirement Income Mid Range
Inflation Protection	ETF Conservative	Retirement Income Long Range
	ETF Income and Growth	
	ETF Moderate Growth	
Morningstar Portfolios:	ETF Growth	Other
Absolute Return	ETF Aggressive Growth	Swan Defined Risk Fund

	Up to \$500,000	Next \$500,000	Next \$1MM	Next \$3MM
Brookstone Annual Fee	0.80%	0.70%	0.50%	0.40%
Advisor Annual Fee	1.00%	0.90%	0.75%	0.50%
Total Annual Fee	1.80%	1.60%	1.25%	0.90%

ii. FEE SCHEDULE II (Non Wrap Fee Program)

This Fee Schedule is for the following portfolios (break points are per account):

BCM Portfolios:
Bond
Market-linked CDs
Structured Notes

	Up to \$500,000	Next \$500,000	Next \$1MM	Next \$3MM
Brookstone Annual Fee	0.40%	0.40%	0.40%	0.40%
Advisor Annual Fee	1.00%	0.90%	0.75%	0.50%
Total Annual Fee	1.40%	1.30%	1.15%	0.90%

iii. FEE SCHEDULE III (Wrap Fee Program)

This Fee Schedule is for the following portfolios (break points are per account):

Separately Managed Accounts:

BTS Bond Asset Allocation
 Canterbury Portfolio Thermostat
 CMG Opportunistic All Asset
 OceanPark High Yield Corporate Bond
 SMARToption Classic & Select
 Van Hulzen Covered Call/Covered Call ETF
 Zega High Probability Options

Morningstar Portfolios:

Tortoise Select Stock
 Hare Select Stock
 Dividend Select Stock
 U.S. Wide Moat Select Stock

	Up to \$500,000	Next \$500,000	Next \$1MM
Brookstone Annual Fee	1.25%	1.15%	1.00%
Advisor Annual Fee	1.00%	0.85%	0.75%
Total Annual Fee	2.25%	2.00%	1.75%

The client agrees to pay a fee quarterly, 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 quarter, prorated to the number of days the account is funded.

Fees may be negotiated by the advisor under unusual circumstances, at the sole discretion of the advisor. Asset management fees will be automatically deducted from the client account on a quarterly 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. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to client. Client's advisory agreement with the Advisor is non-transferable without client's written approval.

In addition from time to time, we initiate incentive programs for Investment Advisor Representatives. These programs may compensate them for attracting new assets and clients promoting investment advisory services. We may also initiate programs that reward Representatives who meet total production criteria, participate in advanced training and/or improve client service. Representatives 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.

2. Financial Planning Services Fees

Brookstone also offers comprehensive financial planning services for individuals, families and businesses. Our Financial Planning services include data gathering and analysis, along with creating a financial plan with specific recommendations and implementation advice tailored to client needs. Specific areas of advice include investment planning, insurance needs assessment and advice, retirement planning, cash flow management, debt consolidation, capital needs assessments, educational planning, estate planning, and business planning.

In the majority of cases, the Firm charges an hourly fee of \$100 per hour, billed in six minute increments, for financial planning services. A minimum of two hours is payable upon receipt of a signed Advisory contract, with any additional fee owed payable upon presentation of the financial plan. In certain instances, or for those clients who desire it, the Firm may charge a fixed fee for financial planning services. Fixed fees are payable 1/3 upfront, with the remainder to be paid upon presentation of the financial plan. Fixed fees can range from \$200 to \$5,000, and are based on the complexity of the work required. All financial planning fees are negotiable.

3. Wrap Fees for Sub-Advisory Services of Independently Sponsored Wrap Programs

The annual fees received by Brookstone from each Wrap Sponsor are generally equal to either (a) a percentage of the total assets in the Wrap Sponsor's Wrap Program accounts for which Brookstone provides investment management services or (b) a percentage of the Wrap Fees actually collected by the Wrap Sponsor from Wrap Clients to whom we provide investment management services. Each Wrap Sponsor generally pays Brookstone on a quarterly basis, generally in advance, or as outlined in each written agreement between Brookstone and the Wrap Sponsor. With respect to each Wrap Program in which we participate, the standard fees received by us from each Wrap Sponsor may vary depending on the investment style selected and other factors.

Brookstone is not generally informed of the specific fee arrangement negotiated between each Wrap Client and the Wrap Sponsor. Wrap Sponsors may charge a minimum annual Wrap Fee to each of their Wrap Clients. Complete information on the services provided and fees charged under a Wrap Program may be found in each Wrap Sponsor's Form ADV Part 2A – Appendix 1, also known as the Wrap Fee Program Brochure. Wrap Clients should carefully evaluate all information in the applicable brochure to determine whether or not the wrap fee paid for the services provided exceeds the aggregate cost of such services if they were to be provided separately.

The above fees are a general representation of those charged by Brookstone and they may not apply to all circumstances. Fees may change due to particular situations. Lower fees for comparable services may be available from other sources.

B. Additional Fee Information and Disclosures

All Advisory fees are negotiable between the Firm and clients. Generally, managed account clients have fees deducted directly from their accounts.

Clients should understand that all fees paid to Brookstone for investment advisory services are separate and distinct from the expenses charged by third-parties such as mutual funds to their shareholders and the product sponsor in the case of variable insurance products. These fees and expenses are described in each fund's or variable product's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the sponsor also imposes sales charges, a client may pay initial or deferred sales or surrender charge. A client could invest in these products directly, without the services of Brookstone. In that case, the client would not receive the services provided by Brookstone which are designed, among other things, to assist the client in determining which products or services are most appropriate to each client's financial condition and objectives.

In addition, all fees paid to Brookstone for investment advisory services are separate and distinct from the fees charged by TPAs. Furthermore, clients may incur brokerage commissions and other execution costs charged by the custodian or executing broker-dealer in connection with transactions for a client's account. Clients should further understand that all custodial fees and any other charges, fees and commissions incurred in connection with transactions for a client's account will be paid out of the assets in the account. Please refer to Item 12 of this Brochure entitled "Brokerage Practices" for additional important information about the brokerage and transactional practices of the Firm. Accordingly, the client should review both the fees charged by the product sponsor and the fees charged by Brookstone to fully understand the total fees to be paid.

Brookstone will provide investment advisory services, portfolio management services, and financial planning services, but will not provide custodial or other administrative services. At no time will Brookstone accept or maintain custody of a client's funds or securities. Client is responsible for all custodial and securities execution fees charged by the custodian and executing broker-dealer. The Advisors fee is separate and distinct from the custodian and execution fees.

It is this Firm's policy to correct all trading errors immediately upon notification of the error. Trading errors can take many forms, including executing trades in the incorrect account, for the incorrect share amount or price, with an incorrect instruction, or in an incorrect security. In most instances, when an error is detected, the error will be moved to the Firm's Error account for correction. If the error results in a gain, the Firm will retain the gain. If the error results in a loss, the Firm will make the client whole by reversing or otherwise as appropriate fixing the error, or by crediting the account for any loss.

These fees and expenses are separate from and in addition to the fees charged by Brookstone. Accordingly, the client should review the fees charged by any TPAs, mutual funds and other investment products in which the client's assets are invested, together with the fees charged by Brookstone, to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

ITEM 6 – PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Brookstone does not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client). Consequently, the Firm does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management).

ITEM 7 – TYPES OF CLIENTS

Brookstone provides its Advisory Services to individuals, families, retirement plans, trusts, estates, charitable organizations, or other business entities. While Brookstone does not require a minimum account size, the Firm recommends a cumulative household minimum account size of \$25,000. Third-party managed programs generally have account minimum requirements that will vary from investment advisor to investment advisor. Prior to engaging the Firm to provide any of the investment advisory services described in this Brochure, the client will be required to enter into one or more written agreements with the Firm setting forth the terms and conditions under which the Firm shall render its services.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

Investing in securities of any kind involves risk, including loss of investment, which clients must be prepared to accept. Brookstone's investment recommendations are subject to various market, currency, economic, political and business risks, and such investment decisions may not always be profitable. Clients should be aware that there may be a significant loss or depreciation to the value of the client's account, and that at any given time, the value of the client's portfolio may be worth more or less than the amount invested. There can be no assurance that the client's investment objectives will be obtained and no inference to the contrary should be made. In addition, there is no assurance that any investment purchased for the client's account will achieve its objective. Past performance of investments is no guarantee of future results.

Brookstone provides investment advice based upon long-term investment strategies that incorporate the principles of Modern Portfolio Theory. Generally, the Firm provides advice on the following types of securities: stocks (exchange listed, over-the-counter, and foreign issues); bonds (corporate debt); certificates of deposit; municipal securities; variable annuities; mutual funds and exchange traded funds (ETFs); Options contracts; and partnerships investing in real estate. In addition, in certain instances the Firm purchases put options on the market.

In taking into account whether to invest client assets with certain TPAs, Brookstone considers a variety of factors, and analyzes the TPAs for style consistency, investment strategies, risk attribution (if available) and historical performance. The Firm also considers both quantitative and qualitative factors including, but not limited to, the TPA's performance during various time periods and market cycles; the TPA's reputation, experience and training; its articulation of, and adherence to, its investment philosophy; the presence and deemed effectiveness of the TPA's risk management discipline; the structure of the TPA's portfolio and the types of securities or other instruments held; its fee structure; interviews with the TPA; the quality and stability of a TPA's organization, including internal and external professional staff; and whether the TPA has a substantial personal investment in the investment program it pursues.

A. Methods of Analysis and Strategy Overview

1. Conservative

BROOKSTONE BOND PORTFOLIO

This model is made up of individual bonds. The Bond Portfolio holds only individual investment grade corporate bonds or municipal bonds. The Bond Portfolio will be laddered. Laddering is a portfolio management strategy for fixed income whereby multiple bonds are purchased, each with different maturity dates.

BTS BOND ASSET ALLOCATION

The Bond Asset Allocation Portfolio consists mainly of three core asset classes (high yield bond, government bond, and money market). The goal of the program is to enhance performance of bond investments by assigning account assets to the bond sector that is producing the highest current returns.

BROOKSTONE CURRENT INCOME

The Current Income Model seeks a high level of current income consistent with moderate fluctuations of principal. This model will consist of a combination of mutual funds, ETFs and closed end funds. The model will be invested in mostly fixed income vehicles tactically allocated to capitalize on market conditions over a one to three year time frame. There is also an equity component that can consist of up to 30% of the model and will invest in companies that have histories of paying dividends and showing the capacity to increase them.

BROOKSTONE MARKET-LINKED CDs

The Market-Linked CD portfolio (MLCDs) provides investors with exposure to market-based returns linked to any one or more asset classes using FDIC-Insured, principal-protected MLCDs. We may purchase one or more MLCDs in your account. The final terms, caps and participation rates of each MLCD will be determined when the product closes for

investment and the actual trades are made by the issuing bank. If a range of potential returns is provided, you should be comfortable with the lowest end of the range.

On a monthly basis we offer multiple MLCDs in a diversified model portfolio. These MLCDs are selected at the beginning of the month and due to the nature of this product, each MLCD has limited availability and may close to investors before the specified closing date and no longer be available. If this occurs, we will select another MLCD to replace it that has similar terms to the terms offered by the closed MLCD. The same applies to the MLCDs we offer on our ala carte list. At maturity, you will receive at least 100% of the principal of your MLCD less fees, regardless of the performance of the investment benchmark or index. Investors who sell all or a portion of a MLCD early may lose a portion of the deposit amount.

BROOKSTONE MUNICIPAL BOND

The investment objective of the Municipal Bond Portfolio is to provide current income that is exempt from federal personal income taxes and to preserve investors' principal. The strategy uses open-ended mutual funds to get exposure to multiple managers with different fund objectives. The goal is to diversify within the Municipal Bond sector by type of bond, duration, credit risk and geography.

BROOKSTONE STRUCTURED NOTES

Structured Notes may help investors meet their specific financial goals and provide greater diversification to their investment portfolios. Structured Notes encompass a variety of structures and terms. The Notes consist of a debt security linked to the performance of a reference asset (equity, basket of equities, equity index, commodity, commodity index or foreign currency). Among the variety of structures available, most aim to help investors to achieve the following primary objectives: minimize the loss of principal, generate higher yields or participate in enhanced returns. These securities are not bank deposits and are not insured by the Federal Deposit Insurance Corporation (FDIC) or any other governmental agency, nor are they obligations of, or guaranteed by, a bank.

On a monthly basis we offer a variety of Structured Notes. These Notes are selected at the beginning of the month and due to the nature of this product, each Note has limited availability and may close to investors before the specified closing date and no longer be available.

MORNINGSTAR CONSERVATIVE ETF

This portfolio uses exchange traded funds (ETFs). ETFs offer investors a convenient way to gain exposure to specific segments of the capital markets - with lower costs and tax efficiencies typically associated with index funds. This portfolio's fixed-income bias is designed to provide some current income while also protecting investors from a significant capital loss while providing them with a safeguard against inflation. As a result, the portfolio is intended for those who value current income and stability. It's intended for clients with at least a one- to three-year time horizon.

MORNINGSTAR RETIREMENT INCOME ULTRA-SHORT RANGE

The Retirement Income Ultra Short Range portfolio is designed to preserve capital and generate a steady rate of return over a 1-5 year horizon. The portfolio aims to support a 7% annual distribution over this time horizon without fully depleting the account's assets. The portfolio will normally invest in mutual funds from these market segments: investment-grade domestic bonds, short-term reserves, foreign bonds, high-yield bonds and inflation-protected bonds.

MORNINGSTAR RETIREMENT INCOME SHORT RANGE

The Retirement Income Short Range portfolio is designed to generate a steady rate of return predominantly driven by income with some potential for capital appreciation over a 2-10 year horizon. The portfolio is designed to support a 6% annual distribution over this time horizon. The portfolio may invest in mutual funds from these market segments: domestic equity, developed foreign stock, high-yield bonds, commodities, and funds that employ alternative strategies in an attempt to deliver consistent rates of return and provide downside protection.

MORNINGSTAR RETIREMENT INCOME MID-RANGE

The Retirement Income Mid-Range portfolio is designed to generate a steady rate of return predominantly driven by capital appreciation and income over a 10 to 20 year horizon. The portfolio is designed to support a 5% annual distribution over this time horizon. The portfolio may invest in mutual funds from these market segments: domestic equity, developed and emerging market foreign stock, real estate, high-yield bonds, inflation-indexed Treasuries, investment-grade domestic

bonds, foreign bonds, commodities, and funds that employ alternative strategies in an attempt to deliver consistent rates of return and provide downside protection.

MORNINGSTAR RETIREMENT INCOME LONG-RANGE

The Retirement Income Long-Range portfolio is designed to generate a steady rate of return predominantly driven by capital appreciation and income over 20 or more years. The portfolio is designed to support a 4% annual distribution over this time horizon. The portfolio may invest in mutual funds from these market segments: domestic equity, developed and emerging market foreign stock, real estate, high-yield bonds, inflation-indexed Treasuries, investment-grade domestic bonds, foreign bonds, commodities, and funds that employ alternative strategies in an attempt to deliver consistent rates of return and provide downside protection.

OCEANPARK HIGH YIELD CORPORATE BOND (HYCB)

While diversifying among a core set of high yield corporate bond funds, the Program actively monitors the price trend in each designated fund and has the flexibility to implement defensive switching (moving assets to safety temporarily during downturns). The Portfolio managers seek to protect investments during challenging economic environments while participating in upside returns during more constructive market cycles. Each HYCB account will be diversified among four to twelve open-end mutual funds.

ZEGA HIGH PROBABILITY OPTIONS STRATEGIES: INCOME

This strategy aims to deliver higher risk-adjusted returns over the long term through investments in options primarily on the major equity indexes. It includes a disciplined approach that only trades when the potential returns exceed the calculated risk profile. Positions are adjusted to fit the risk/return expectation of the target strategy (Income). Returns are driven by the natural time decay of near expiration options.

High Probability Options Strategies (HiPOS) is generally appropriate in all market environments. HiPOS is not correlated to the broad market indexes or the fixed income markets.

HiPOS uses tactics that are applicable in both up and down markets regardless of the length of time these trends extend. The strategy uses options that are far enough out of the money that the directional bias is very small, so it can be considered to have a neutral bias within a normal market range.

HiPOS Income strategy seeks the returns of a diversified fixed income portfolio with low or no correlation to the equity or bond market. It Leverages approximately 15% to 25% of options buying power and targets a 0.5% to 0.7%% monthly return. Its goal is to limit the monthly loss range to no more than 1%.

2. Moderate

BROOKSTONE BEST IDEAS

The Best Ideas (BI) portfolio is an *all weather* portfolio designed to capture the upside of the market while providing more cushion in a declining market. Utilizing mutual funds and exchange traded funds, the ultimate objective of the BI portfolio is to produce stock-like returns with substantially less volatility than the overall market. However, for the vast majority of investors, mutual fund regulations, portfolio allocation sizes, tax considerations and substantial trading/custodial costs prohibit the use of many of the tools available to hedge funds. BI utilizes an eclectic blend of managers that have exhibited exceptional skill in terms of asset allocation and security selection over a long period of time. We select managers who have wide latitude in the investment process. The fund managers in the BI portfolio are not confined to a single asset class (such as large cap stocks), but rather can allocate to asset classes that are designed to offer the best combination of risk and return at any given time. We believe that having the latitude to venture away from the broad market is imperative. Therefore, the array of funds in the BI portfolio aims to encompass different approaches to produce strong positive returns regardless of the market environment. In terms of the underlying funds in the Best Ideas portfolio, each manager offers a unique alpha source through a unique competitive advantage and is not confined by a style box.

CANTERBURY PORTFOLIO THERMOSTAT

Canterbury's Portfolio Thermostat Matrix helps determine the current market environment or Market State. The Thermostat Matrix process identifies 12 different Market States. Each Market State is based on combining the long term trend, medium term and short term changes in volatility, and a combination of short term market indicators. Of the 12 Market States, 6 States are Bullish, 4 States are Bearish, and 2 States are Caution. In order to achieve true diversification, Canterbury Investment Management will generally participate in a wide range of financial securities. The goal is to diversify among asset classes that have low correlation.

The Portfolio Thermostat Matrix invests in Exchange Traded Funds divided into three groups. Group 1 (alternative) includes ETFs not related to the global stock markets. Group 2 includes individual countries, sector and industry ETFs. Group 3 holds U.S. and international style index ETFs including five inverse index ETFs. The Canterbury Portfolio Thermostat Matrix is an active, rules-based process developed to maintain a low volatility while maximizing risk adjusted returns.

CMG OPPORTUNISTIC ALL ASSET

The CMG Opportunistic All Asset Strategy is a quantitative investment strategy that analyzes a broad universe of mutual funds with the goal of determining an optimal portfolio allocation and is designed to generate positive returns over multiple market cycles. The fund selection process utilizes proprietary mathematical and technical indicators to identify mutual funds with emerging price trends across asset classes and market sectors. The portfolio is typically comprised of up to 11 mutual fund allocations that are designed to serve as an active risk managed solution versus traditional buy-and-hold equity investing.

MORNINGSTAR ABSOLUTE RETURN

The portfolio combines investments across a broad array of asset classes to help minimize volatility and potentially deliver positive returns in both rising and falling market environments. It contains investments with low or negative correlations, including domestic and foreign stocks and bonds, real estate and commodities futures. Certain funds in the portfolio may employ alternative strategies in an attempt to exploit market opportunities and manage risk.

MORNINGSTAR INCOME & GROWTH

This portfolio utilizes open-end mutual funds and splits its assets relatively evenly between stocks and bonds. It is most appropriate for clients who want a combination of moderate capital appreciation combined with current income over the next three to five years.

MORNINGSTAR INCOME & GROWTH ETF

This portfolio balances its assets between stock and bond ETFs. Its fixed-income bias is designed to provide some current income and protection from significant capital loss while providing a safeguard against inflation. It is intended for clients seeking both moderate capital appreciation and current income, and is intended for those who value current income stability. It's intended for clients with at least a three to five-year time horizon.

MORNINGSTAR MODERATE GROWTH

This portfolio combines investments in equities and fixed-income securities to provide clients with balanced and varied exposure to the stock and bond markets. It's best suited for clients who primarily seek long-term capital appreciation with some muted volatility. Generally, these clients have a five- to seven-year time frame for their investments.

MORNINGSTAR MODERATE GROWTH ETF

This portfolio combines investments in equity and fixed-income ETFs to provide clients with balanced and varied exposure to the stock and bond markets. It's intended for clients who primarily seek long-term capital appreciation with some muted volatility. Generally, these clients have at least a five- to seven-year time frame on their investments.

SMARToption CLASSIC

The SMARToption portfolio was designed with components which are intended to profit-in and protect client equity in nearly any market condition, up, down or flat. This technique employs options as a way to hedge against possible losses an investment may suffer in a market downturn.

The SMARToption Strategy utilizes an index-based methodology that allows investors to capture long-term growth by investing in a broad-based index fund (S&P 500®). This index is composed of 500 selected stocks, and spans over 24 separate industry groups. It is heavily weighted towards stocks with large market capitalizations and represents approximately two-thirds of the total market value of all domestic common stocks.

SMARToption also buys index put options (basket I), which can protect against a significant market decline that may occur over a short period of time. The value of an index put option generally increases as the price of the underlying index decreases and decreases as the underlying index increases in price.

The SMARToption portfolio also sells index put and call options (basket II). Writing index put and call options reduces the SMARToption's volatility, provides a steady cash flow and is an important source of the strategy's return, although it potentially also reduces the ability to profit from the total increase in the value of the underlying index.

SMARToption SELECT

Much like Brookstone's SMARToption Classic, SMARToption Select utilizes an index-based methodology that also allows investors to capture long-term growth but instead of investing in the S&P 500, it invests in an equal weighting of the nine Select Sector SPDR ETFs. Together, the nine Select Sector SPDRs represent the S&P 500 as a whole. SMARToption Select also follows the same options strategy as SMARToption Classic but also employs the use of an additional options trading strategy (basket III) to help generate additional income.

SWAN DEFINED RISK FUND (SDRAX)

This is an open-end mutual fund that is based on the SMARToption Separately Managed Account strategy. SDRAX provides an investment option for clients who cannot meet the SMARToption minimums. While there are differences as to how the SMARToption strategy and SDRAX are managed, the methodology used in both is the same and the performance is likely to be substantially similar.

VAN HULZEN COVERED CALL

The Strategy invests in high quality, dividend-paying stocks with strong return on investment (ROI). The Strategy invests in large-cap companies that the portfolio managers expect to produce strong return on investment and pay regular dividends. It utilizes call options on investment positions to help maximize current income and achieve a low correlation against the broad equity market.

VAN HULZEN COVERED CALL ETF

The Strategy invests in Exchange Traded Funds (ETFs) to get equity exposure. It also sells call options on the holdings which can result in additional income and lower portfolio volatility. The objective is long term risk-adjusted returns similar to long-only equities, with a total return objective balanced between income and growth.

ZEGA HIGH PROBABILITY OPTIONS STRATEGIES: GROWTH

This strategy aims to deliver higher risk-adjusted returns over the long term through investments in options primarily on the major equity indexes. It includes a disciplined approach that only trades when the potential returns exceed the calculated risk profile. Positions are adjusted to fit the risk/return expectation of the target strategy (Growth). Returns are driven by the natural time decay of near expiration options.

High Probability Options Strategies (HiPOS) is generally appropriate in all market environments. HiPOS is not correlated to the broad market indexes or the fixed income markets.

HiPOS uses tactics that are applicable in both up and down markets regardless of the length of time these trends extend. The strategy uses options that are far enough out of the money that the directional bias is very small, so it can be considered to have a neutral bias within a normal market range.

The HiPOS Growth Strategy seeks the returns of an equity portfolio with a growth investment profile; all capital gains are re-invested in the strategy. It leverages approximately 50% to 60% of options buying power and targets a 1-2% monthly return with the goal of limiting the monthly loss range to no more than 2-2.5%.

3. Growth

BROOKSTONE INFLATION PROTECTION

The Inflation Protection Model is designed to get exposure to multiple asset classes that have historically done well in times of above average inflation. It is diversified among different types of funds including precious metals, currencies, energy, commodities, and bonds. The objective of this model is to be an all-weather, inflation hedge using a diversified group of ETFs and Mutual Funds.

MORNINGSTAR GROWTH

This portfolio seeks long-term capital appreciation through investments in domestic and foreign equities and allocations to intermediate and corporate bonds. The portfolio will experience some level of volatility, but its fixed-income positions should provide it with a cushion in tough stock-market environments. This portfolio is designed for clients with at 10- to 15-year time horizon.

MORNINGSTAR GROWTH ETF

This portfolio seeks long-term capital appreciation through investments in ETFs representing domestic and foreign equities, and modest allocations to a diverse mix of fixed-income ETFs. The portfolio will experience some level of volatility, but its fixed-income positions should provide it with a cushion in tough Stock-market environments. This portfolio is designed for clients with a 10- to 15-year time horizon.

MORNINGSTAR AGGRESSIVE GROWTH

This portfolio seeks long-term capital appreciation through investments domestic and foreign equities. The portfolio is susceptible to market volatility and is best suited for financially stable clients with at least a 15-year time horizon.

MORNINGSTAR AGGRESSIVE GROWTH/ETF

This portfolio seeks long-term capital appreciation through diversified investments in domestic and foreign equity ETFs. The portfolio is susceptible to equity market volatility and is intended for financially stable clients with at least a 15-year time horizon.

MORNINGSTAR TORTOISE SELECT STOCK

The Tortoise portfolio seeks to outperform the S&P 500 Index and to generate positive returns regardless of the broad market environment. Companies in this portfolio tend to be large, moderate to low levels of risk. Though these firms aren't typically growing at a fast clip, they are normally profitable, cash-generative companies with solid balance sheets. Most stocks in the Tortoise portfolio boast durable competitive advantages of some kind, such as economies of scale, patent protection, or iconic brand names. Invests in the stocks of relatively stable, high-quality businesses that are well-entrenched in the various markets in which they operate. Though these firms aren't typically growing at a furious pace, they are normally very profitable, reflecting their dominance.

MORNINGSTAR HARE SELECT STOCK

The Hare portfolio seeks to outperform the S&P 500 Index and to generate positive returns regardless of the broad market environment. Companies in this strategy's portfolio tend to be either small or fast growing, or have a high risk/return proposition. Importantly, these stocks are selling at reasonable prices, not nosebleed multiples of price/earnings. In addition, they are generally higher-quality in nature, with most boasting durable competitive advantages of some kind, such as high customer switching costs, powerful network effects, or cost advantages. Invests in the stocks of firms that are experiencing rapid growth, emphasizing those that have carved out a defensible niche of some kind.

MORNINGSTAR DIVIDEND SELECT STOCK

The Dividend portfolio seeks to earn annual returns of 10% to 12% over any three to five year rolling time horizon. For the portfolio as a whole, this goal is composed of 3.5% to 5.5% current yield and 5.5% to 7.5% annual income growth. The portfolio invests in dividend-paying stocks that are generally higher-quality in nature, with most boasting durable competitive advantages of some kind, such as economies of scale, patent protection, or iconic brand-names. Positions may include Master & Limited Partnerships (for non-qualified accounts only) and Real Estate Investment Trusts (REITs). Invests in high-yielding stocks with the potential for dividend-growth and capital appreciation. Though dividend-investing often brings to mind stodgy utilities or banks, the Dividend portfolio is composed of stocks from a variety of industries. The common thread is that the typical name is significantly undervalued, financially strong, and founded on a durable business model.

MORNINGSTAR U.S. WIDE MOAT FOCUS SELECT STOCK

The U.S. Wide Moat Focus portfolio seeks to outperform the S&P 500 by identifying the most compelling investment opportunities among wide-moat stocks, wherever they happen to reside. The portfolio is designed to track the Morningstar Wide Moat Focus Index, which invests equal stakes in the 20 wide-moat domestic stocks trading at the largest discount to Morningstar, Inc.'s fair value estimate. The Index is reconstituted and rebalanced quarterly. A wide moat is a sustainable competitive advantage that may allow a firm to earn above-average returns on capital over long periods of time. This concentrated portfolio is unbiased to size (i.e., larg-cap vs. small-cap) and to style (i.e., growth vs. value). It may also significantly overweight or underweight various industries and/or sectors.

ZEGA HIGH PROBABILITY OPTIONS STRATEGIES: AGGRESSIVE GROWTH

This strategy aims to deliver higher risk-adjusted returns over the long term through investments in options primarily on the major equity indexes. It includes a disciplined approach that only trades when the potential returns exceed the calculated risk profile. Positions are adjusted to fit the risk/return expectation of the target strategy (Aggressive Growth). Returns are driven by the natural time decay of near expiration options.

High Probability Options Strategies (HiPOS) is generally appropriate in all market environments. HiPOS is not correlated to the broad market indexes or the fixed income markets.

HiPOS uses tactics that are applicable in both up and down markets regardless of the length of time these trends extend. The strategy uses options that are far enough out of the money that the directional bias is very small, so it can be considered to have a neutral bias within a normal market range.

HiPOS Aggressive Growth strategy seeks the returns of an aggressive growth equity strategy; the strategy is fully leveraged and all capital gains are re-invested in the strategy. It leverages 100% of options buying power and targets a 2-4% monthly return. The goal is to limit the monthly loss to a range of no more than 4-5%.

B. Material Risks

Investing in securities involves a significant risk of loss. Brookstone's investment recommendations are subject to various market, 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.

In addition to those risks outlined above, some of the risks associated with investing in securities and funds recommended by Brookstone that clients should be aware of include, but are not limited, to the following:

- **Allocation Risk:** the risk that a portfolio could lose money as a result of less than optimal or poor asset allocation decisions as to how its assets are allocated or reallocated.
- **Interest-Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a stock, bond, mutual fund or other security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances.
- **Credit Risk:** The risk that a portfolio could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivative contract, is unable or unwilling to meet its financial obligations.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Political and Legislative Risk:** Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning, with significant impact, especially for companies operating outside of the United States or those companies who conduct a substantial amount of their business outside of the United States.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. Generally, business risk is that a company will go bankrupt or perform below expectations. Every company carries the business risk that it will produce insufficient cash flow in order to maintain operations. Business risk can come from a variety of sources, some systemic and others unsystemic. That is, every company has the business risk that the broader economy will perform poorly and therefore that sales will be poor, and also the risk that the market simply will not like its products.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Derivatives Risk:** This is the risk of investing in derivative instruments, including liquidity, interest rates, market, credit and management risks, 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.

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.

ITEM 9 – 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.

In February of 2008, the Kentucky Division of Securities found the Firm and advisory representative James Jones in violation of Kentucky rules for permitting Mr. Jones to transact business in the state without prior registration. The Firm paid a \$2,000 fine in May of 2008, and both the Firm and the advisory representative were permitted to register in the state.

In addition, there are certain advisory affiliates of this Firm that do have reportable events, which are reportable under this item. The advisory affiliate related items are reported below.

Matthew Rettich: Hawaii Division of Insurance found Mr. Rettich in violation of disclosure rules for failing to disclose a trespassing charge on Mr. Rettich's record from when he was 18 years of age. The Division issued a letter of reprimand.

Stacey Munderloh Tate: Commission of Insurance for the State of Texas fined Ms. Tate \$2,300 in July of 2002 for violations of advertising rules for failing to report a change of address and report additional offices, as well as accepting commissions from an unlicensed entity for insurance services.

Bonnie Griffith: In January of 2005, Ms. Griffith was fined \$1,500 by the Illinois Division of Insurance for selling 2 insurance contracts with unauthorized insurer in the state of Illinois.

Additional information regarding the above reportable events can also be found at the SEC's public disclosure website, which can be accessed at www.advisorinfo.sec.org.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

President Dean Zayed ("Mr. Zayed") of Brookstone, and other advisory agents of the Firm, are also registered representatives of Center Street Securities, a non-affiliated firm engaging in the business of selling life, health, long-term care, disability and annuity insurance products as well as securities. Moreover, other Investment Adviser Representatives of Brookstone may also be registered representatives of different non-affiliated broker/dealers or insurance companies engaged in the business of selling securities, life, health, long-term care, disability and annuity products. As registered representatives, associates may receive separate yet typical 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.

Additionally, Mr. Zayed is a shareholder in the law firm of Perkins & Zayed, PC. From time to time, Perkins & Zayed, PC may provide legal services for clients of Brookstone. These agreements will be disclosed by Brookstone at the time the advisory agreement is entered into by delivery of Brookstone's Form ADV Part 2 to the client. Mr. Zayed is also a shareholder of CD Revolution, Inc., an Illinois Corporation engaged in the design and distribution of structured products, including market linked certificates of deposit and various structured notes. CD Revolution Inc. may earn a consulting fee in this capacity and some of the products it helps design and distribute may be purchased as part of the portfolio that Brookstone manages for its clients.

Depending on the client's overall investment guidelines and needs, Mr. Zayed and/or an Investment Adviser Representative of the Firm may recommend that a client purchase certain insurance products through that individual's non-affiliated insurance agency. This creates a conflict of interest since Firm representatives will receive regular and customary insurance commissions and other compensation for these services. Clients are under no obligation to implement such recommendations and/or implement the recommendations through the

representative's non-affiliated insurance carriers and should understand that other insurance agencies may offer similar services and the costs of such services may be higher or lower than those obtainable from representatives of the Firm.

These outside activities and affiliations create an additional conflict of interest in that the Firm's President and Investment Adviser Representative's obligations to these outside interests may either conflict with the advisement provided by the Firm 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 the Firm's President and Investment Adviser Representatives will devote as much time to the business and affairs of the Firm 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.

The Firm 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, the Firm and its representatives 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 Item 11 for additional information.

ITEM 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

A. Code of Ethics Summary

Brookstone maintains a companywide Code of Ethics. Brookstone's Code includes various prohibited activities, requires all Firm employees to adhere to high ethical standards, and requires that covered persons place client interests ahead of their own. The Code also requires all employees subject to the Code to comply with all applicable laws related to the Firm's advisory business, and requires that all employees be bound by the Anti-Fraud Provisions of federal securities law.

In addition, the Code requires that certain transactions by Firm personnel be pre-approved, and that Firm personnel report all reportable holdings and transactions to Firm management on a regular basis. A copy of Brookstone's Code of Ethics is available to existing and prospective clients upon request at the Firm's main office address and phone number, as listed on the Cover Page of this Brochure.

B. Participation or Interest in Client Transactions and Personal Trading

Principals and/or officers of Brookstone may manage his/her own accounts in the same manner Brookstone uses to manage client assets. As such, Firm personnel may own the same securities or other investments that client accounts contain. Client transactions are executed either prior to or simultaneously with those of the principals. All employee transactions are reviewed by the Compliance Department to ensure that any conflicts can be identified and addressed.

Brookstone and/or its advisory representatives may from time to time purchase or sell products that they may recommend to clients. Brookstone has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the adviser. In addition, the Code of Ethics governs personal trading by each employee of Brookstone deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of Brookstone are conducted in a manner that avoids any actual or potential conflict of interest between such persons and clients of the adviser or its affiliates.

Brookstone collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve potential conflicts of interest.

Additionally, when executing securities trades in personal securities accounts, Investment Advisor Representatives and supervised persons must be especially careful to make sure that such trading activities are:

1. not conducted in advance of client transactions in similar securities.
2. not in opposition to recommendations made for client securities transactions.
3. not based upon inside information or research analyst reports that the adviser prepared.
4. not otherwise in violation of applicable securities laws or fiduciary duties owed to clients.

Where acting in the capacity of a registered representative of a registered broker/dealer, advisory representatives of Brookstone may as broker or agent effect securities transactions for typical and customary compensation. Clients are not obligated to use advisory representatives of Brookstone to execute such securities transactions.

Brookstone does not conduct 'Principal' transactions, does not engage in Cross-Trades between advisory clients, and does not participate in Agency Cross Transactions.

ITEM 12 – BROKERAGE PRACTICES

As an investment advisory firm, Brookstone has a fiduciary duty to seek best execution for client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction. Rather, it appears to be a collective consideration of factors concerning the trade in question. Such factors include the security being traded, the price of the trade, the speed of the execution, apparent conditions in the market, and the specific needs of the client. Brookstone's primary objectives when placing orders for the purchase and sale of securities for client accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of order, 3) difficulty of execution, 4) confidentiality and 5) skill required of the broker. Brookstone will recommend a broker-dealer to clients. The broker-dealer has been chosen based on the following: 1) the broker's capital depth, 2) the broker's market access, 3) the broker's transaction confirmation and account statement practices, 4) our knowledge of negotiated commission rates and spreads currently made available, 5) the nature and character of the markets for the security to be purchased or sold, 6) the desired timing of the transaction, 7) the execution, 8) clearance and settlement capabilities of the broker selected and others considered, 9) our knowledge of any actual or apparent operational problems of a broker and 10) the reasonableness of the commission or its equivalent for the specific transaction. Based on the above criteria, Brookstone may not necessarily pay the lowest commission or commission equivalent as specific transactions may involve specialized services on the part of the broker. This would justify higher commissions (or their equivalent) than other transactions requiring routine services. If Brookstone is directed by the client to direct trades to a specific broker dealer other than the custodian typically used by Brookstone for trade execution, it is disclosed that Brookstone's ability to negotiate commissions (where applicable), obtain volume discounts, or otherwise obtain best execution may not be as favorable as might otherwise be obtained.

In situations where the Firm places client assets with a TPA to provide discretionary investment management services, the TPA will typically determine the broker-dealer to be used and the Firm may have little or no control over the selection of the broker used or the commissions paid to effect trades for the client's account.

A. Best Execution and Soft Dollar Benefits

As stated above, Brookstone has full discretion to place buy and sell orders with or through such brokers or dealers as it may deem appropriate. It is the policy and practice of Brookstone to strive for the best price and execution that are competitive in relation to the value of the transaction (“best execution”). In order to achieve best execution, Brookstone will use its best judgment to choose the broker-dealer most capable of providing the brokerage services necessary to obtain the best overall qualitative execution.

When Brookstone believes that more than one broker can offer the brokerage and execution services needed to obtain the best available price and most favorable execution, consideration may be given to selecting those brokers which also supply research services of assistance to Brookstone in fulfilling its investment advisory responsibilities. Such services may include research reports, services and seminars, computer software and related hardware for services. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.” Some of these services are provided to Brookstone as part of a “bundled package” from the broker-dealer. However, Brookstone’s clients may pay higher commission rates than those normally obtained from other brokers. Moreover, some of the services may benefit a specific segment of Brookstone’s clients. Brookstone does not attempt to match a particular client’s trade executions with broker-dealers who have provided research services which have directly benefited that client’s portfolio. Rather, research services received by Brookstone are used for the ultimate benefit of all of its clients. This also benefits Brookstone since it does not have to have to produce or pay for the research, products or services. Consequently, Brookstone may have an incentive to select or recommend a broker-dealer based on these benefits rather than in the clients’ interest in receiving most favorable execution.

While clients may in certain circumstances direct Brookstone to use a specific custodian, Brookstone’s selection of the custodian may keep costs down. Due to Brookstone’s relationship with TD Ameritrade, TD Ameritrade has agreed to pay for certain expenses on behalf of Brookstone. Such benefits includes servicing fees, taxes and ancillary fees associated with these products, which may or may not benefit, directly or indirectly, any Brookstone client, and will not increase any costs to Brookstone’s TD Ameritrade clients. For more information, contact TD Ameritrade at (800) 783- 1086. Importantly, Brookstone’s receipt of such benefits may or may not be offered to other independent advisers that participate in the program. Brookstone is still obligated to review best execution and act in the best interest of its clients regardless of this relationship.

Notably, Brookstone has a potential conflict of interest in recommending its clients to have their assets held in custody with TD Ameritrade due to the incentive and receipt of soft dollar benefits. TD Ameritrade, and others, may consider the amount and profitability to the custodian of the assets in, and trades placed for, Brookstone’s client accounts when determining whether to continue providing these additional services to Brookstone. Currently, Brookstone pays no fees to TD Ameritrade for receiving these additional services. In furtherance of the best of interest of its clients, Brookstone will periodically review the broker-dealer firms used to execute client transactions, taking into account the above qualitative considerations, among others, such as reliability, accuracy, competency of bundling trades, timing of execution, and many other factors.

B. TD Ameritrade Institutional Program

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/NFA (“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. BCM receives some benefits from TD Ameritrade through its participation in the 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 Morningstar subscription as well as Albridge, a back office performance and reporting system) and Tamarac; 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. (Brookstone may make these additional services available to its affiliates without cost.) Specifically, the Additional Services include Albridge, the Firm's back office performance and reporting system, as well as the Firm's subscription to Morningstar, and Tamarac. 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 the Firm with payment coverage for "Morningstar Advisor Workstation", "Albridge Solutions Wealth Reporting", and "Tamarac". These services are used in conjunction with the Firm's advisory practice, and provide direct and/or indirect beneficial benefit to all Firm clients, whether those clients utilize TD Ameritrade or not. While there is no direct link between this and the advice provided to Firm 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 this Firm.

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.

C. Order Aggregation and Allocation

Brookstone may combine orders into block trades when more than one account is participating in the trade. This blocking or bunching technique must be equitable and potentially advantageous for each such account (i.e. for the purposes of reducing brokerage commissions or obtaining a more favorable execution price). Block trading is performed when it is consistent with the duty to seek best execution and is consistent with the terms of Brookstone's investment advisory agreements. Equity trades are blocked based upon fairness to client, both in the participation of their account, and in the allocation of orders for the accounts of more than one client. Allocations of all orders are performed in a timely and efficient manner. All managed accounts participating in a block execution receive the same execution price (average share price) for the securities purchased or sold in a trading day. Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day. Due to the low liquidity of certain securities, broker availability may be limited. Open orders are worked until they are completely filled, which may span the course of several days. If an order is filled in its entirety, securities purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement. If an order is partially filled, the securities will be allocated pro rata based on the allocation statement. Brookstone may allocate trades in a different manner than indicated on the allocation statement (non-pro rata) only if all managed accounts receive fair and equitable treatment.

ITEM 13 – REVIEW OF ACCOUNTS

Brookstone investment professionals 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 the Advisor and Investment Advisor Representative 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. Financial planning clients receive a written copy of their financial plan with all supporting analyses.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Brookstone is provided with an economic benefit through its receipt of soft dollars in accordance with Section 28(e) of the Securities Exchange Act of 1934. Brookstone may enter into these “soft dollar” arrangements whereby brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist Brookstone in its investment decision-making process. The receipt of such services may be perceived to serve as an economic benefit to Brookstone, and although customary, these arrangements give rise to potential conflicts of interest, including the incentive to allocate securities transactional business to broker-dealers based on the receipt of such benefits rather than on a client’s interest in receiving most favorable execution. Please refer to Item 12 which more fully describes these benefits and how Brookstone addresses the conflicts of interest.

Additionally, as described in Item 10 above, Principals and Investment Adviser Representatives of Brookstone may receive compensation from other non-affiliates. Such compensation shall only be received in conjunction with those services provided to such non-affiliates.

Brookstone may enter into solicitor relationships with individuals (“Solicitors”) who in turn offer our services to members of the public. Through these arrangements, we pay a cash referral fee to the Solicitor based upon a percentage of our advisory fee. The referral fee is paid pursuant to a written agreement and this information is disclosed to clients prior to or at the time of entering into an investment advisory agreement.

TD Ameritrade Institutional Advisor Panel

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 on January 18, 2014. 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.

ITEM 15 – CUSTODY

Pursuant to Rule 206(4)-2 of the Investment Advisers Act of 1940, the Firm is deemed to have custody of client funds or securities by reason of the fact that the Firm has authority to debit its fees directly from clients’ accounts. To mitigate any potential conflicts of interest, all client account assets will be maintained with an independent qualified custodian.

Notably, in most cases a client’s broker-dealer also may act as the custodian of the client’s assets for little or no extra cost. Clients should be aware, however, of the differences between having their assets custodied at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

The Firm may only implement its investment management recommendations after the client has arranged for and furnished the Firm with all information and authorization regarding its accounts held at the designated qualified custodian.

All client funds are held by the Brokerage firm or Custodian firm, in most cases, TD Ameritrade. The Brokerage firm or Custodian firm send monthly or quarterly statements directly to clients on a regular basis. These statements must be carefully and thoroughly reviewed by clients. Brookstone encourages all clients to carefully compare quarterly reports provided by the Firm to custodial or brokerage statements issued by the applicable brokerage or custodial firms. The Firm reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please refer to Item 12 for additional important disclosure information relating to the Firm's practices and relationships with custodians.

ITEM 16 – INVESTMENT DISCRETION

Brookstone generally has discretion over the selection and amount of securities to be bought or sold in client accounts without obtaining prior consent or approval from the client. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by Brookstone.

Discretionary authority will only be authorized upon full disclosure to the client. The granting of such authority will be evidenced by the client's execution of an Investment Advisory Agreement containing all applicable limitations to such authority. All discretionary trades made by Brookstone will be in accordance with each client's investment objectives and goals.

ITEM 17 – VOTING CLIENT SECURITIES

Brookstone will not vote, nor advise clients how to vote, proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. Also, Brookstone cannot give any advice or take any action with respect to the voting of these proxies. The client and Brookstone agree to this by contract.

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.

ITEM 18 – 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 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.

ITEM 19 – STATE REGISTERED ADVISORS

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