

**Form ADV Part 2 Brochure**  
**Dated February 1, 2013**

**Brookstone Capital Management, LLC**

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Phone Number (630) 653-1400

[www.brookstonecm.com](http://www.brookstonecm.com)

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](http://www.adviserinfo.sec.gov).

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

## ITEM 2 - MATERIAL CHANGES

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This Brochure, dated February 1, 2013, has material changes to Item 4. This brochure reflects a change in firm ownership and management.

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## ITEM 4 – ADVISORY BUSINESS

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Brookstone Capital Management, LLC (“Brookstone”) is an SEC registered Investment Advisory firm. The firm is owned by Dean Zayed, with principal management provided by Dean Zayed, President, and Courtney Bonstrom, Chief Compliance Officer.

Formed in 2006, Brookstone provides fee based asset management services for clients, as well as comprehensive financial planning services, as outlined below.

As of 12/31/2012, the firm managed a total of \$545,805,340 in Discretionary assets on behalf of clients. Services are provided to individuals, families, retirement plans, trusts, estates, charitable organizations, or other business entities.

### Asset Management Services:

Brookstone Capital Management’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.

### Financial Planning Services:

Brookstone Capital Management LLC 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.

The above listed advisory services can 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.

## ITEM 5 – FEES AND COMPENSATION

### Asset Management Fees:

Pursuant to an investment advisory contract signed by each client, the client will pay Brookstone a quarterly Management/Wrap Program Fee, payable in arrears, 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.

Asset Valuation	Investment Advisory Fee	Investment Consultant Fee	Total Fee
\$50,000 - \$500,000	0.2%	0.25%	0.45%
Next \$500,000	0.175%	0.225%	0.4%
Next \$1,000,000	0.125%	0.1875%	0.3125%
Next \$3,000,000	0.10%	0.125%	0.225%

The firm offers a ‘Laddered Bond & CD Portfolio’. This model is made up of individual bonds or CD’s. The Bond Portfolio holds only individual investment grade corporate bonds, municipal bonds and CDs. The Bond Portfolio will be laddered. Laddering is a portfolio management strategy for fixed income whereby multiple bonds and or CDs are purchased, each with different maturity dates. Fees for the program, billed quarterly in arrears, are as follows:

Asset Valuation	Investment Advisory Fee	Referring Investment Consultant Fee	Total Fee
\$50,000 - \$500,000	0.10%	0.25%	0.35%
Next \$500,000	0.10%	0.225%	0.325%
Next \$1,000,000	0.10%	0.1875%	0.2875%
Next \$3,000,000	0.10%	0.125%	0.225%

Brookstone also offers the ‘Brookstone Bond Asset Allocation Program’. This program is designed to allocate Client’s assets among Funds selected by Brookstone based on buy and sell signals provided by BTS Asset Management, an unaffiliated third-party timing service. The number of Funds selected and the allocation percentages shall be determined by Brookstone Capital Management. Client understands that the purpose of the program is to attempt to provide downside protection in a falling market and appreciation possibilities in a rising market, by exchanging investments in the Funds selected by BCM upon buy and sell signals provided by BTS Asset Management. The Bond Asset Allocation Program will utilize a defensive (money market) fund and 2

aggressive (government and high yield) funds. Using buy and sell signals, BCM will attempt to allocate assets to the bond sector producing the highest current return when bond prices are rising, or conversely to preserve capital by moving to the money market fund if bonds sectors are declining. Client provides Brookstone with discretionary authority to affect exchanges in accordance with the receipt of BTS's buy and sell signals.

Clients who participate in the 'Brookstone Bond Asset Allocation Program' pay a quarterly management/wrap program fee, payable in arrears, based on the amount of the assets to be managed by the advisor in the program as of the opening of business on the first business day of each quarter.

Assets Under Management	Management Fee	Representative Fee
First \$100,000	0.3125%	_____% 0.375% maximum fee
Next \$100,000 - \$249,999	0.25%	
Next \$250,000 - \$499,999	0.1875%	
Next \$500,000 - \$999,999	0.125%	
Next 1 million +	0.10%	

Brookstone also offers Portfolio Thermostat Matrix strategy as offered by a subadvisor Canterbury Investment Management LLC, a SEC Registered Investment Advisor. 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. The number of funds and allocation percentages shall be determined by Canterbury Investment Management and Brookstone shall execute trades based upon buy and sell signals provided by Canterbury Investment Management. Client provides Brookstone with discretionary authority to affect exchanges in accordance with the receipt of Canterbury's Buy and sell signals.

Clients who participate in the 'Portfolio Thermostat Matrix' pay a quarterly management/wrap program fee, payable in arrears, based on the amount of the assets to be managed by the advisor in the program as of the opening of business on the first business day of each quarter and are as follows:

Asset Valuation	Investment Advisory Fee	Investment Consultant Fee	Total Fee
\$60,000 - \$500,000	0.3125%	.25%	0.5625%
\$500,001 - \$1,000,000	0.2875%	0.2125%	0.5%
Over \$1,000,00	0.25%	0.1875%	0.4375%

Finally, the firm offers the 'SmartOption' program as offered by a subadvisor, Swan Wealth Advisors, Inc. This SmartOption model is made up of the S&P 500 (through an exchange traded fund), as well as options. There is a \$60,000 minimum account size for participation in the SmartOption program. Brookstone's portion of the Investment Advisory Fee collected is shared with the subadvisor, Swan Wealth Advisors, Inc. Fees for the program, billed quarterly in arrears, are as follows:

Asset Valuation	Investment Advisory Fee	Investment Consultant Fee	Total Fee
\$60,000 - \$500,000	0.3125%	.25%	0.5625%
\$500,001 - \$1,000,000	0.2875%	0.2125%	0.5%
Over \$1,000,00	0.25%	0.1875%	0.4375%

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.

All fees paid to Brookstone Capital Management LLC for investment advisory services are separate and distinct from the expenses charged by 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 an initial or deferred sales or surrender charge. A client could invest in these products directly, without the services of Brookstone Capital Management LLC. In that case, the client would not receive the services provided by Brookstone Capital Management LLC 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. Accordingly, the client should review both the fees charged by the product sponsor and the fees charged by Brookstone Capital Management LLC to fully understand the total fees to be paid.

Clients may request to terminate their advisory contract with Brookstone Capital Management LLC, in whole or in part, by providing 30 days advance written notice. If the Form ADV Part II is not delivered at least forty eight (48) hours before the client enters into the contract, then the client has the right to terminate the contract within five (5) business days after entering into it without penalty. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to client. 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.

#### Financial Planning Services Fees:

Brookstone Capital Management LLC 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 owned 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 \$2,000, and are based on the complexity of the work required. All financial planning fees are negotiable.

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.

In addition, as noted in Item 4 above, clients invested in mutual funds and/or variable annuities will pay an Advisory fee to Brookstone, and indirect management fees and expenses as charged by the mutual fund or variable contract. Therefore, clients whose assets are invested in shares of mutual funds and variable contracts are hereby made aware that they will pay both a direct management fee to Brookstone and an indirect management through the mutual fund or variable annuity.

Brookstone Capital Management LLC 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.

The President of Brookstone Capital Management LLC and some advisory agents are also registered representatives of Center Street Securities, and are engaged in the business of selling life, health, long-term care, disability and annuity insurance products as well as securities. The other Investment Adviser Representatives of Brookstone Capital Management LLC may also be registered representatives of other 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.



Because these are non-affiliated entities, we do not believe that this poses any potential conflict of interest. However, Brookstone takes numerous actions to address these potential conflicts. As a Fiduciary, the firm, via its Management and Compliance Department, works to ensure that clients best interests are used when determining investment recommendations, including review of all advisory recommendations. Clients are NOT free to choose their own brokerage firm or custodian. They must use our custodian, TD Ameritrade. In addition, Brookstone maintains a Code of Ethics to help ensure that investment decisions are in the best interest of clients, as disclosed in Item 11 below.

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

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

#### ITEM 7 – TYPES OF CLIENTS

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Brookstone provides its Advisory Services to individuals, families, retirement plans, trusts, estates, charitable organizations, or other business entities. While Brookstone Capital Management enforces no minimum account size, the firm recommends a cumulative household minimum account size is \$25,000. The 'SmartOption' Program has a minimum account size of \$60,000. However, based on individual facts and circumstances, Brookstone Capital Management LLC may, at its sole discretion, accept accounts with a lower value.

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

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Investing in securities of any kind involves risk, including loss of investment, that clients must be prepared to accept.

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.

## ITEM 9 – DISCIPLINARY INFORMATION

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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](http://www.advisorinfo.sec.org).

## ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

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President Dean 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 Capital Management LLC. These agreements will be disclosed by Brookstone Capital Management LLC at the time the advisory agreement is entered into by delivery of Brookstone Capital Management LLC's Form ADV Part II to the client. Dean 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. Finally, Mr. Zayed is also a registered

representative of Center Street Securities and is engaged in the business of selling life, health, long-term care, disability and annuity insurance products as well as securities.

The other Investment Adviser Representatives of Brookstone Capital Management LLC may also be registered representatives of broker/dealers 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 products through their affiliated broker-dealer as well as for the sale of insurance products.

Investment Advisor Representatives for Brookstone Capital Management LLC may also sell life, health, long-term care, disability and annuity insurance products.

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

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##### Code of Ethics:

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.

##### 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 Capital Management LLC and/or its advisory representatives may from time to time purchase or sell products that they may recommend to clients. Brookstone Capital Management LLC 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 Capital Management LLC deemed to be an Access Person and is intended to ensure that

securities transactions effected by Access Persons of Brookstone Capital Management LLC 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 Capital Management LLC 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 Capital Management LLC may as broker or agent effect securities transactions for typical and customary compensation. Clients are not obligated to use advisory representatives of Brookstone Capital Management LLC 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

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As an investment advisory firm, Brookstone Capital Management LLC 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 Capital Management LLC'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 Capital Management LLC 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 Capital Management LLC 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 Capital Management LLC is directed by the client to direct trades to a specific broker dealer other than the custodian typically used by Brookstone Capital Management LLC for trade execution, it is disclosed that Brookstone Capital Management LLC'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.

#### Order Aggregation:

Brookstone Capital Management LLC 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 Capital Management LLC'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.

Where Brookstone Capital Management LLC does not exercise brokerage discretion, it may recommend brokers to clients for execution and/or custodial services where requested by the client. Clients are not obligated to use the recommended broker and will not incur any extra fee or cost associated with using a broker not recommended by Brookstone Capital Management LLC. Brookstone Capital Management LLC may recommend brokers based on criteria such as, but not limited to, reasonableness of commissions charged to the client, services made available to the client, and location of broker offices. Brookstone Capital Management LLC is not compensated in any way with respect to making such recommendations. When referring clients to dealers

Brookstone Capital Management LLC will only refer clients to dealers registered in states where the clients reside.

Brookstone Capital Management LLC does not receive research services, other products, or compensation as a result of recommending a particular broker which may result in the client paying higher commissions than those obtainable through other brokers.

Brookstone Capital Management LLC 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 Capital Management participates in TD AMERITRADE’s INSTITUTIONAL customer program and Brookstone Capital Management requires clients to maintain accounts with TD AMERITRADE for custody and brokerage services. There is no direct link between Brookstone Capital Management’s participation in the program and the investment advice it gives to its clients, although Brookstone Capital Management 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 Capital Management by third party vendors. TD AMERITRADE may also have paid for business consulting and professional services received by Brookstone Capital Management’s related persons, and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for Brookstone Capital Management’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 Capital Management but may not benefit its client accounts. These products or services may assist Brookstone Capital Management 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 Capital Management manage and further develop its business enterprise. The benefits received by Brookstone Capital Management (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 Capital Management or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Brookstone Capital Management's choice of TD AMERITRADE for custody and brokerage services.

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

duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

### ITEM 13 – REVIEW OF ACCOUNTS

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Accounts are monitored on an ongoing basis by Dean Zayed. The triggering factors would be Brookstone Capital Management 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 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.

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.

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

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Brookstone Capital Management LLC 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

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Brookstone does not maintain Custody of client funds or securities. All 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 this firm to custodial or brokerage statements issued by the applicable brokerage or custodial firms.

#### ITEM 16 – INVESTMENT DISCRETION

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Brookstone Capital Management LLC 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 Capital Management LLC.

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 Capital Management LLC will be in accordance with each client’s investment objectives and goals.

#### ITEM 17 – VOTING CLIENT SECURITIES

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Brookstone Capital Management LLC 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 Capital Management

LLC cannot give any advice or take any action with respect to the voting of these proxies. The client and Brookstone Capital Management LLC 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 Capital Management LLC cannot give any advice or take action with respect to the voting of these proxies.

#### ITEM 18 – FINANCIAL INFORMATION

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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

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