

# INVESTMENT POLICY STATEMENT (IPS)



## IPS PART A

Prepared for:

Presented by:

# PURPOSE OF AN INVESTMENT POLICY STATEMENT

The purpose of this Investment Policy Statement (IPS) is to establish a clear understanding of the investment objectives, goals and guidelines for your Investment Account and provide a means of monitoring your investment performance.

This IPS is intended to provide guidance in the management of your assets and is not intended to be overly restrictive given changing economic, business and market conditions.

## INVESTMENT ADVISORY FIDUCIARY STANDARD

As investment advisors, Brookstone and its IARs act as fiduciaries for all of our investment management clients. This means that we have an obligation to act in the best interests of our clients and to provide investment advice in the clients' best interests. We avoid engaging in any activity that could create a conflict of interest with any client; however, if a conflict of interest does arise, full disclosure of that conflict will be made to the client. Reasonable care must be employed to avoid misleading clients and full and fair disclosure of all material facts (including fees) to clients and prospective clients will be made.

We fulfil our fiduciary obligations by collecting information about you and your investment goals so that our recommendations are customized to be in your best interests. We disclose all fees, and conflicts

## ANNUITY RECOMMENDATIONS

Most Brookstone investment advisor representatives also provide insurance or annuities to their clients when appropriate. Insurance, including fixed index annuities, are not offered through Brookstone but are sold by insurance licensed agents using various insurance companies. The issuing insurance companies are not affiliated with Brookstone. However, sometimes the fixed insurance product could be used as a replacement or alternative to the Brookstone fixed income portion of a portfolio. Nonetheless these products present their own differences from traditional fixed income securities, such as bonds, including, but not limited to liquidity, tax implications, and underlying fees. Annuities also may be subject to caps, restrictions, fees and surrender charges as described in the annuity contract. Any annuity guarantees are backed by the financial strength and claims paying ability of the issuer. Brookstone does not charge management fees on commission based fixed index annuities. However, because the representative will receive commissions from the recommendation of any insurance product, like a fixed index annuity, this may present a conflict of interest. Full and fair disclosure will be made to client if such conflict exists that could impact the impartiality of their advice.

If a BCM IAR is licensed as an insurance agent and/or registered representative and makes a recommendation for transacting in a fixed annuity and/or life insurance product, this gives rise to conflicts of interest due to the fact that such BCM IAR is receiving remuneration in the form of commission and in some cases, other compensation (such as a percentage of an organizations' profits for selling fixed annuities and/or life insurance) which incentives such IAR to sell that product. BCM IARs mitigate this conflict by making recommendations that are in the client's best interest and are suitable for them based on their investment objectives and needs outlined in the client's investment policy statement.

## INVESTOR RESPONSIBILITIES

Your responsibilities in the investment process include:

- ▶ Communicating clear and reasonable investment objectives.
- ▶ Monitoring and evaluating your performance results to assure that policy guidelines are being adhered to and that objectives are being met.
- ▶ Communicating with your Investment Advisor Representative on a periodic basis and whenever there is a change in your Investment Account objectives, goals, financial situation or guidelines.

## PORTFOLIO GUIDELINES

Brookstone Capital Management (BCM) is the discretionary investment manager on the Investment Account. BCM will integrate and coordinate all of the investments in your account(s). This includes services such as:

- ▶ Executing securities transactions
- ▶ Implementing any rebalancing instructions
- ▶ Enforcing any imposed investment restrictions
- ▶ Processing any client initiated requests

## INVESTMENT ADVISORY CONTRACT

The undersigned ("Client") hereby retains Brookstone Capital Management ("BCM") to act as an investment advisor on the terms and conditions set forth below.

### THE INVESTMENT ACCOUNT

The Investment Account to be managed by BCM for Client will consist initially of the funds and/or the securities transferred or deposited into the Client's account(s). Client may make additions to or withdrawals from the Investment Account. Client acknowledges that cash will be made available for withdrawal only when transactions effected to raise cash are settled. Dependent on the terms of the investment, it could take up to thirty (30) days.

Client further acknowledges that frequent and/or significant withdrawals may adversely affect the Account's performance and may impair BCM's ability to manage the Client's assets in accordance with the Client's objectives and investment strategies for the portfolio.

### AUTHORITY

Client gives BCM and its IARs unlimited and unrestricted discretionary authority to invest and reinvest the assets held in the Investment Account, including but not limited to the ability to substitute models or strategies with similar investment objectives as needed, and at Client's sole risk. BCM is not required to notify Client prior to any transaction, and normally will not do so. Client hereby designates BCM as the agent and attorney-in-fact with a limited power of attorney. BCM has full power to arrange for the delivery of and payment for securities purchased or sold.

### NON-EXCLUSIVE RELATIONSHIP

The Client understands and acknowledges that BCM renders investment advice to and performs other portfolio management services for other individuals and entities. BCM, its members, employees and beneficial owners may from time to time buy, sell or trade in securities for their own accounts, for the accounts of their family, for an account in which they have a beneficial interest or for the accounts of others for whom they provide portfolio management services. Client agrees that BCM may give advice and take such other action with respect to these other accounts that may differ from the advice given or the timing or nature of action taken with respect to Client's account.

### CUSTODY

The securities and funds held in Client's Investment Account shall be held with the custodian of BCM's choosing ("Custodian"). BCM and Custodian are not affiliated. Client authorizes BCM to invoice Custodian directly for fees and debit the Client's account. The current custodian that BCM uses is TD Ameritrade Institutional.

### REPORTING

The Custodian will furnish Clients with monthly statements as well as transaction confirmations. They shall be sent to Client via mail to Client's address of record, or via e-mail to the Client's e-mail address of record, whichever method the Client chooses. BCM may furnish Client with performance reports at least annually. These reports will include a detailed statement of the securities and cash held in the Investment Account. In addition, BCM will make an effort to respond promptly and fully to Client's inquiries at any time on any matter related to the account.

### BROKERAGE MATTERS

The Client consents and agrees that BCM may aggregate ("block trade") sale and purchase orders with other client accounts that have similar orders being made contemporaneously under the management of BCM, if in BCM's judgment such aggregation is reasonably likely to result in an overall economic benefit to the Account. Such benefits may include better transaction prices and lower trade execution costs. If all aggregate orders do not fill at the same price, BCM may cause the Client and each similar order to pay or receive the average prices at which the orders were filled. If such orders cannot be fully executed under prevailing market conditions, BCM may allocate the securities traded among clients and each similar order in a manner which it considers equitable, taking into account, the size of the order placed, the Client's cash position, investment objective of the Account, size of the order and liquidity of the security.

BCM will use its good faith judgment in the best interest of the Client when it places orders for the Investment Account. This may include the execution of securities transactions through Custodian.

### AMENDMENT

Unless stated otherwise in this Agreement, BCM may amend this Agreement at any time by providing thirty (30) days advance written notice to the Client. If no objection is made by the Client within thirty (30) days following delivery of such notice, BCM will assume Client's inactivity constitutes consent.

### SEVERABILITY

If any part of this agreement is found to be invalid or unenforceable, it will not affect the validity or enforceability of the remaining terms of this Agreement.

### DEATH OR DISABILITY

In the event of the death or disability of an individual Client, BCM will continue to provide the services specified herein, unless and until such time that BCM receives written instructions to the contrary from the Client's legally designated executor, administrator, guardian, or other legal representative, together with appropriate documentation of that person's authority to provide direction with respect to the Client's Account.

## ARBITRATION

Client and Brookstone agree that the following steps will be used to settle any controversy or claim, including, but not limited to, errors and/or omissions arising out of or relating to this Agreement or the breach thereof.

a. **Negotiation.** Client and Brookstone agree that they will attempt to resolve any controversy, claim, or dispute ("Dispute") relating to this Agreement by prompt, good faith negotiations. Any Dispute which is not settled by the Parties within thirty (30) days after written notice of a Dispute is given by one Party to the other shall be referred to arbitration pursuant to Clause 2 below.

b. **Arbitration.** Any dispute, claim or controversy, including but not limited to, errors and omissions arising out of, or relating to, this Agreement or any alleged breach, termination, enforcement, interpretation or validity of this Agreement (including the determination of the scope or applicability of this agreement to arbitrate), which is not resolved pursuant to Clause 1 above, shall be settled by arbitration in Wheaton, Illinois, before a panel consisting of one individual having knowledge of securities and investment matters. Such arbitration will be administered by JAMS, The Resolution Experts ("JAMS") pursuant to its Comprehensive Arbitration Rules & Procedures or, if applicable, its Streamlined Arbitration Rules & Procedures. The award of the arbitration panel shall be final and binding, and judgment upon the award granted may be entered in any court of competent jurisdiction. Damages that are inconsistent with any applicable agreement between the Parties, that are punitive in nature, or that are not measured by the prevailing Party's actual damages, shall be unavailable in arbitration or any other forum. In no event, even if any other portion of these provisions is held to be invalid or unenforceable, shall the arbitration panel have power to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction. The arbitrator will, in the award, allocate all of the costs of the arbitration, including the fees of the arbitrator and the reasonable attorneys' fees of the prevailing Party, against the Party who did not prevail.

**Client understands that this Agreement to arbitrate constitutes a waiver of the right to seek a judicial forum, including trial by jury, except where such waiver would be void under federal or state securities laws. Client acknowledges that his/her/its consent to this arbitration provision is voluntary and that arbitration is final and binding on the Parties.**

## ELECTRONIC COMMUNICATION

Client may agree to accept electronic communication of any notice, advice, brochure or report in lieu of a printed copy, including applicable disclosure documents and disclosures required under ERISA section 408(b)(2) at the email address listed in the IPS Part B, or such other email address as Client may designate in writing to BCM. There will be no additional charges and/or fees for this service and Client may obtain paper copies of any such correspondence described herein at any time and without charge by contacting BCM.

## PROPOSED MODEL PORTFOLIO ALLOCATION

We propose this allocation for your Investment Account to assist you in making an informed asset allocation decision that will help you meet your long term investment objectives with the appropriate amount of risk. The allocation was developed by using generally accepted investment theories and takes into account your responses to our Risk Profile Questionnaire (RPQ). Therefore, there is a correlation between the proposed allocation and your responses to our RPQ.

The proposed allocation is not intended to forecast short term trends in the capital markets. Rather, it is intended to help in the strategic planning of the Investment Account over long periods of time (more than full market cycles). It is not based on specific investments and tax considerations have not been taken into account. In selecting an asset allocation, you should consider all of your assets, income and investments.

We are positioned to manage your Investment Account using a combination of vehicles and specialty money managers, utilizing, but not limited to, mutual funds, exchange traded funds, stocks, bonds, CDs and options. If the value of your account is below a certain threshold as determined by Brookstone, then we may choose to invest your account using fewer vehicles than might otherwise be found in a Investment Account with similar goals yet a higher value.

## INVESTMENT GOALS

It is unrealistic to expect that the Investment Account will meet every goal at any point in time. It will be the objective of the Investment Account to meet these goals over full market cycles or over the Investment Account's time horizon, as you direct.

Since your circumstances and the capital markets change over time, it is important that, on at least an annual basis, you reevaluate this IPS and the Investment Account's long-term asset allocation to ensure that they continue to reflect your long term investment objectives, attitudes and expectations. You may request a copy of your completed RPQ from your Investment Advisor Representative. You may revise your response to the RPQ and ask for a revised IPS reflecting your revisions at any time.

## FEES

### FEE SCHEDULE

The Client agrees to pay a fee monthly, in arrears, for the advisory services provided by BCM pursuant to this agreement. The fee will be calculated based on the value of the account on the last day of the month, prorated to the number of days the account is funded. The Client understands to the extent that the assets are allocated to mutual fund shares, exchange traded fund shares and unit investment trusts certain costs may be associated with the ownership of such shares as described in each prospectus. Certain services of the custodian may require the customer to pay cost in addition to the advisory fee paid to BCM. Client will be responsible for paying any transaction fees in the account that the Custodian charges. This includes overnight fees and any other transactions that the Custodian charges per their Institutional Fee Schedule. The Client agrees to be charged the above-referenced fees applicable with the Investment Account.

### ADVISORY FEES

BCM's fee will be charged directly against the Client's account when due, or some other account held by the Custodian owned by the Client established in part to pay advisory fees. The Custodian is hereby authorized to debit the Client's account and credit BCM's account for all advisory fees due and payable. It is the Client's responsibility to verify the calculation of the fee.

*Please Note: Selling positions in an account within 90 days of purchase may result in a fund level short term redemption charge.*

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

## FEE SCHEDULES

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

FEE SCHEDULE 2			
	Up to \$500,000	Next \$500,000	\$1MM+
Brookstone Annual Fee	0.95%	0.85%	0.75%
Advisor Annual Fee	1.00%	0.90%	0.75%
Total Annual Fee	1.95%	1.75%	1.50%

### ADDITIONAL FEES

All accounts will be charged a monthly \$8 fee, subject to change based on the terms, conditions, and fees of providers. These fees will be deducted automatically from client accounts and shall be used by Brookstone to utilize software allowing BCM and its Investment Advisor Representatives to consolidate all accounts through a portfolio accounting system and create consolidated, on-demand performance reports. The fee is charged regardless of whether the technology is used or not. As a courtesy, for any client accounts below \$8,000 in AUM, BCM will proportionately reduce this monthly fee by \$1 per every \$1,000.

### ANNUITY RECOMMENDATIONS (IF APPLICABLE)

Most Brookstone investment advisor representatives also provide insurance or annuities to their clients when appropriate. Insurance, including fixed index annuities, are not offered through Brookstone but are sold by insurance licensed agents using various insurance companies. The issuing insurance companies are not affiliated with Brookstone. However, sometimes the fixed insurance product could be used as a replacement or alternative to the Brookstone fixed income portion of a portfolio. Nonetheless these products present their own differences from traditional fixed income securities, such as bonds, including, but not limited to liquidity, tax implications, and underlying fees. Annuities also may be subject to caps, restrictions, fees and surrender charges as described in the annuity contract. Any annuity guarantees are backed by the financial strength and claims paying ability of the issuer. Brookstone does not charge management fees on commission based fixed index annuities. However, because the representative will receive commissions from the recommendation of any insurance product, like a fixed index annuity, this may present a conflict of interest. Full and fair disclosure will be made to client if such conflict exists that could impact the impartiality of their advice.

If a BCM IAR is licensed as an insurance agent and/or registered representative and makes a recommendation for transacting in a fixed annuity and/or life insurance product, this gives rise to conflicts of interest due to the fact that such BCM IAR is receiving remuneration in the form of commission and in some cases, other compensation (such as a percentage of an organizations' profits for selling fixed annuities and/or life insurance) which incentives such IAR to sell that product. BCM IARs mitigate this conflict by making recommendations that are in the client's best interest and are suitable for them based on their investment objectives and needs outlined in the client's investment policy statement.

## ACKNOWLEDGEMENTS

BCM will not vote, nor advise clients how to vote proxies for securities held in client accounts. The client keeps the authority and responsibility for the voting of these proxies. All proxy materials received on behalf of a client account are sent directly to the client, or to a designated representative of the client, who is responsible for voting the proxy.

BCM's responsibility is limited to the portion of Client's assets which are allocated to the Investment Account. BCM is not responsible for any improper concentration of investments or failure to diversify with respect to any assets not included in this Investment Account.

If the Investment Account is a fund or a plan subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), BCM certifies that:

- a. It is a Registered Investment Advisor under the Investment Advisers Act of 1940;
- b. It is a fiduciary with respect to the fund as that term is defined under Section 3(21)(A) or Section 3 (38) under ERISA;
- c. It will notify the Client in writing within ten days if (a) or (b) cease to be true.

If Client is a fund or plan subject to ERISA, Client represents that either:

(i) its fidelity bond currently includes BCM as investment advisor to the extent required by applicable law or;

(ii) Client will promptly cause its fidelity bond to be amended to include BCM as investment advisor to the extent required by applicable law. Client has furnished or agrees to furnish promptly to BCM evidence of such bonding.

Client acknowledges that reasonably in advance of the execution of this Agreement, BCM provided to Client and Client received all disclosures required by 29 C.F.R. § 2550.408b-2, including, but not limited to, services to be provided, status of the advisor, potential conflicts of interest and the direct and indirect compensation to be paid by the Plan, which are contained in this Agreement, Form ADV Part 2A, and/or a separate disclosure document.

## TERMINATION

Clients may request to terminate their advisory contract with BCM, 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.

## ASSIGNMENT

This Agreement shall be binding upon and shall inure to the benefit of the Parties herein to their respective successors, assigns, heirs and personal representatives. However, the rights and obligations hereunder will not be assignable, transferable, or delegable without the consent of the other Party. Any attempted assignment, transfer or delegation thereof without such consent will be void. The foregoing does not prevent an assignment by Brookstone in connection with any transaction which does not result in a change of its actual control or management within the meaning of Rule 202(a)(1)-1 under the Investment Advisers Act of 1940.

*This contract may not be amended without written notification.*

## DEFINITIONS OF INVESTMENT CATEGORIES

### EQUITY STRATEGIES

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

### FIXED INCOME STRATEGIES

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

### MULTI-ASSET STRATEGIES

Multi-Asset strategies use a combination of assets to pursue their investment objective. The allocations to each asset class can change based on each strategy's methodology.

### VOLATILITY STRATEGIES

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

## DEFINITIONS OF INVESTMENT APPROACHES

### TACTICAL APPROACH

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

### STRATEGIC APPROACH

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

## STRATEGY OVERVIEW

### EQUITY: TACTICAL

#### DONOGHUE POWER DIVIDEND INDEX

The Power Dividend Index Portfolio is a portfolio that tracks W.E. Donoghue's Power Dividend Index, which is calculated by Standard and Poor's Custom Indexes. The index is predicated upon the SDOGX Index of 50 stocks derived from the S&P 500 Index. The strategy employs an intermediate term tactical overlay to determine whether to be in a bullish or defensive posture. When in a bullish posture, the index methodology selects the five stocks in each of the ten Global Industry Classification Standard (GICS) sectors that make up the S&P 500 which offer the highest dividend yields as of the last trading day of November. When in a defensive position the portfolio will be invested in cash equivalents such as money market funds. The stocks selected for inclusion in the portfolio are equally weighted and rebalance quarterly.

#### POWER DIVIDEND MID-CAP INDEX PORTFOLIO

This portfolio tracks the W.E. Donoghue Power Dividend Mid-Cap Index. The Power Dividend Mid-Cap Index is calculated by Standard & Poor's Custom Indexes. The index is predicated upon the S-Network U.S. Mid Cap Dividend Index (SNMIDIVTR). The index is a rules based strategy employing stocks with high-dividend yields with a tactical overlay. The portfolio strategy will invest in individual stocks or short term Treasury ETFs depending on whether in a bullish or bearish stance. The tactical overlay will shift the assets to short term Treasuries predicated upon technical analysis should market conditions warrant. When in a bullish posture, the index methodology selects 50 stocks derived from each of the eleven Global Industry Classification Standard (GICS) sectors that make up the S-Network Mid-Cap Dividend Index which offer the highest dividend yields as of the last trading day of May. The index is cap weighted into the following eleven GICS sectors: Consumer Discretionary, Consumer Staples, Energy, Financials, Healthcare, Industrials, Information Technology, Materials, Telecommunications, REITs and Utilities. The index will carry a minimum 4% weight and a maximum 20% weight to each sector (Information Technology & Telecommunications are combined for these calculations). All constituents of W.E. Donoghue's Power Dividend Mid-Cap Index must be constituents of the S-Network Mid-Cap 400 Index with the exception of the REIT sector. When in a defensive position the index will be invested in the S&P BG Cantor 1-3 Year Treasury Index, thus the portfolio will be invested in short term Treasury ETFs to obtain exposure. When in a bullish posture the index and portfolio will rebalance holdings quarterly and re-constitute annually.

#### MARKET GRADER 100 ENHANCED INDEX STRATEGY

Combining the MarketGrader 100 Index's ability to invest in the 100 most attractively-priced U.S. companies with the Dynamic Risk Overlay's systematic process for defining risk and positioning accordingly, the MarketGrader 100 Enhanced Index Strategy attempts to achieve a smart beta index model with cost-conscious tactical risk management across market cycles. The strategy employs a rigorous growth-at-a-reasonable-price (GARP) process to identify attractively priced, properly managed companies while employing rules-

based analysis of market volatility to identify opportunities based on common traits of past systemic events in the stock market. The Dynamic Risk Overlay uses volatility hedges, purchased on margin, through the use of exchange traded products, during market stress periods and the hedges are only purchased if these traits are present. The volatility hedge will be primarily the VXX exchange traded note (ETN) and/or other volatility ETNs and exchange traded funds. The iPath S&P 500 VIX ST Futures ETN (VXX) is designed to track the S&P 500 VIX Short Term Futures index. VIX futures are linked to the CBOE VIX Index, a popular measure of the implied volatility of S&P 500 index options often referred to as the fear index or the fear gauge. Please refer to the ADV Part 2A for the risks and costs associated with using margin (not available for IRA's or other qualified accounts). The MarketGrader 100 Enhanced Index Strategy is Managed by, Thompson Capital Management, a registered investment advisor.

#### SMARTOPTION

The strategy is comprised of a long-term core equity portfolio using the ETF SPY, with a constant protective put option overlay. The protective put is used for risk mitigation, not leverage. This blended combination provides an efficient hedged equity portfolio in one convenient strategy. The strategy is designed to offer investors long-term core equity exposure with lower volatility over time.

#### NEWFOUND RISK-MANAGED GLOBAL SECTORS

Constructed of 11 Global sector ETFs plus a cash equivalent, the Newfound Risk-Managed Global Sectors strategy takes a "protect and participate" approach that provides access to global equities with the ability to move 100% to cash in order to protect against large losses. Sector exposures are reduced or eliminated when they are deemed to be at an increased risk of loss. This strategy uses Newfound's proprietary dynamic, volatility-adjusted momentum model, and attempts to capture outperformance opportunity by equal-weighting, as opposed to market-cap weighting, sector exposures.

#### BCM DIVIDEND STOCK BASKET

The strategy invests in a basket of high-quality, above average dividend paying stocks. The primary objective is steady dividend income with a secondary objective of growth in the dividend.

#### BCM FLOATING RATE PREFERRED STOCK BASKET

The strategy invests in publicly traded floating rate preferred stocks. The primary objective is steady dividend income with the potential to float with market rates.

## STRATEGY OVERVIEW *(CONTINUED)*

### EQUITY: STRATEGIC

#### BCM RAISE 360° MODEL SERIES

The BCM RAISE 360° Model Series consists of pre-selected model portfolio allocations created by Brookstone and its investment team to align with specific risk tolerances. These portfolios may contain mutual funds, exchange traded funds, equities, and other securities authorized by Brookstone, and are managed on a discretionary basis by the Brookstone investment team pursuant to investment objectives as chosen by the client via the Risk Tolerance Questionnaire.

The BCM RAISE 360° Conservative Model and RAISE 360° Select Conservative Small Model will generally allocate between 10-20% in equity or risk based assets and the remainder in bonds or income generating investments.

The BCM RAISE 360° Conservative/Moderate Model will generally allocate between 20-40% in equity or risk based assets and the remainder in bonds or income generating investments.

The BCM RAISE 360° Moderate Model and RAISE 360° Select Moderate Small Model will generally allocate between 30-60% in equity or risk based assets and the remainder in bonds or income generating investments.

The BCM RAISE 360° Moderate/Aggressive Model will generally allocate between 40-80% in equity or risk based assets and the remainder in bonds or income generating investments.

The BCM RAISE 360° Aggressive Model and RAISE 360° Select Aggressive Small Model will generally allocate between 50-100% in equity or risk based assets and the remainder in bonds or income generating investments.

Select models are strategic + tactical blended portfolios that can increase or decrease market exposure based on market conditions.

Smart Beta models offer an innovative minimum volatility approach to both stock and bond investing relative to traditional market indexes.

Star models are passive + active blended portfolios that provide diversified exposures to the strengths of both approaches.

Strategist models are all-weather portfolios inspired by popular strategists and implemented with low cost ETFs.

#### MORNINGSTAR DIVIDEND SELECT STOCK

The Dividend portfolio seeks to earn annual returns over any three to five year rolling time horizon. The portfolio invests in dividend-paying stocks 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 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. 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, 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 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.

## STRATEGY OVERVIEW *(CONTINUED)*

### FIXED INCOME: STRATEGIC

#### BCM 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.

#### BCM 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.

#### BCM MUNICIPAL BOND MODEL

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.

### MULTI-ASSET: TACTICAL

#### CANTERBURY PORTFOLIO THERMOSTAT

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.

#### NEWFOUND MULTI-ASSET INCOME

Constructed of 16 Global yield-oriented ETFs plus a cash equivalent, the Newfound Multi-Asset Income strategy seeks to increase portfolio income over a full market cycle by emphasizing both yield and capital protection. Using Newfound's proprietary dynamic, volatility-adjusted momentum model, ETF exposures are eliminated when they are deemed to be at an increased risk of loss. Final portfolio allocations are adjusted based upon an ETFs "yield-to-risk" ratio; ETFs that offer more (less) yield per unit of risk receive relatively higher (lower) allocations.

#### NDR GLOBAL ALLOCATION STRATEGY

A disciplined tactical asset allocation strategy that objectively combines indicators to invest in opportunities across asset classes and regions. The portfolio will implement strategy using ETFs and targets a moderate risk profile.

#### CMG OPPORTUNISTIC ALL ASSET STRATEGY

A rules-based, tactical investment strategy that analyzes a global universe of ETFs to determine an optimal portfolio allocation. The portfolio may hold up to 10 positions and is designed to serve as an active, risk managed solution versus traditional buy-and-hold investing.

## STRATEGY OVERVIEW *(CONTINUED)*

### VOLATILITY: TACTICAL

#### ALPHA SEEKER STRATEGY

The Alpha Seeker Strategy seeks uncorrelated capital appreciation using a rules-based trading system on Exchange-Traded Products (ETPs) that track VIX futures, either long or short. The system varies exposure on a discretionary basis and uses no options or leverage.

### BLACKROCK STRATEGIC ETF MODELS

The BlackRock Strategic ETF Models are a blend of U.S. equity, international equity, and fixed income exchange traded funds. The allocation percentages will vary between equity and fixed products based upon the model selected, which are managed on a discretionary basis by the Brookstone investment team pursuant to investment objectives as chosen by the client via the Risk Tolerance Questionnaire.

### VANGUARD ETF MODELS

The Vanguard ETF models provide allocation based exposures using a passive approach and implemented with Vanguard ETFs.

### CUSTOM INDIVIDUAL PORTFOLIOS

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