



## ***Policies & Procedures Manual***

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# 1. INTRODUCTION

This Compliance Manual has been developed to introduce you to the policies relating to the Investment Advisory practices of PMB Capital Management LLC DBA Brookstone Financial (“Brookstone”). It is designed to be a permanent record that will be reviewed annually and updated by Brookstone.

As a State Registered Investment Advisor, Brookstone endeavors at all times to operate in conformity with applicable state laws and to conduct its business in the highest ethical and professional manner. This Compliance Manual has been prepared to accomplish two things:

First, to provide Brookstone’s principals, managers, officers, supervisors, advisory representatives and employees (including independent contractors) (hereinafter “you”) with an awareness of the requirements of the laws, rules and regulations governing investment advisor activities. Second, to provide Brookstone’s procedures and policies designed to ensure that its operations meet those requirements.

This Compliance Manual will be kept available for easy reference. You are asked and encouraged to raise questions, criticisms or comments about the manual. Suggestions for changes or additions are welcome. **Jermetria Robey has been designated Chief Compliance Officer (“CCO”). Any questions regarding compliance issues must be directed to Jermetria Robey, Chief Compliance Officer.**

**Brookstone expects you to be thoroughly familiar with the policies and procedures as set forth in this manual.** Adherence to the policies and procedures will help to achieve our goal of uniform compliance and to maintain the interests of Brookstone’s clients first.

## 1.1 *Use and Distribution of this Compliance Manual*

This Compliance Manual is a basic part of Brookstone’s Compliance Program. Each principal, officer, supervisor and advisory representative (and any associated person/employee/independent contractor) who participates in or has responsibilities in connection with the advisory activities (hereafter referred to as an “advisory person”) will be provided a copy of this Compliance Manual. This Compliance Manual is intended to be revised and supplemented from time to time.

Each officer, principal, manager, supervisor or any other person having managerial or supervisory responsibilities must:

- a. Be familiar with and understand the contents of the Compliance Manual;
- b. Provide new employees, including trainees, with a copy of this Compliance Manual;
- c. Ensure that all holders of the Compliance Manual whom Brookstone supervises are familiar with and understand the contents of the Compliance Manual, and use it in day-to-day activities; and
- d. Ensure that any supplements to the Compliance Manual are distributed to advisory persons under Brookstone supervisions, with proper instructions for use with the Compliance Manual.

After reviewing this CM and signing an acknowledgment as to understanding and agreeing to abide by Brookstone’s policies and procedures, any employee who violates any provision, policy or procedure as outlined, the employee may be subject to sanctions by Brookstone up to and including termination of employment or affiliation. The Signed Acknowledgement Form is attached.

## 1.2 *The Fiduciary Standard*

As a Registered Investment Advisor, Brookstone has a fiduciary duty to each client of the firm. Regulations state that investment advisors owe their clients several specific duties as fiduciaries. A client of Brookstone is defined as an individual or entity who has received all required disclosures with a signed Agreement. The fiduciary duties include the provision of advice that is suitable for the client, full disclosure of all material facts and conflicts of interest, utmost and exclusive loyalty and good faith, best execution of client transactions, and the exercise of reasonable care to avoid misleading clients.

## **2. REGISTRATION**

### **2.1 Policy**

The policy of Brookstone is to comply with any state(s) registration requirements that may apply to the firm and to renew and maintain the registrations and/or notice filings on a current basis with the state(s) as appropriate.

Brookstone will maintain a list of clients by state of residency and monitor the state residences of clients to ensure compliance with the national de minimis standard and state regulations. State registration of Brookstone and our investment advisor representatives (“IAR”) may be required, based on the number of clients residing in the state, unless the national de minimis or an applicable exemption exists. The two states that do not follow the 5 client national de minimis are Louisiana and Texas. Both Louisiana and Texas will require registration prior to providing any advisory services. In addition, notification of the establishment of a branch or termination of a branch is a requirement in a number of states. Notification is required within specific periods regarding opening or closing branch offices. Certain states require 30 days prior notice, and others require notification after the event.

Brookstone does maintain branch offices.

### **2.2 Procedures**

For purposes of complying with state registration requirements, Brookstone shall undertake the following procedures:

- a. The CCO shall be responsible for reviewing the Form ADV I, ADV 2A and ADV 2B(s) on an ongoing basis, to ensure that all information is current and accurate. Material changes to the Form ADV(s) shall be prepared and filed with all appropriate state agencies in a timely manner, meaning within 30 calendar days of knowing the facts and circumstances giving rise to an amendment or update.
- b. The CCO shall be responsible for filing, via the IARD, the Form ADV Part I and Form ADV Part 2 within 90 days after the end of Brookstone’s fiscal year.
- c. It is the responsibility of the CCO to be aware of the particular requirements of the state(s) where Brookstone operates and to ensure that the firm and its advisory representatives are properly registered, licensed and qualified to conduct business pursuant to all applicable laws of those states.
- d. The CCO, or designee, shall be responsible for preparing and maintaining a list of clients by state of residency to ensure Brookstone and its advisors are registered properly. This is done on an ongoing basis.
- e. Unless otherwise permitted by regulation, neither Brookstone nor any of its IARs may solicit or render investment advice for any client domiciled in a state where Brookstone is not properly licensed or is not exempt or excluded from registration.

### **Registration**

The CCO or other qualified designee will thoroughly interview all potential candidates for employment with the aim of obtaining a comprehensive overview of each potential employee. The interview process is designed to effectively address such issues as prior work history and relevant experience, disclosure of any customer complaints and/or regulatory actions in connection with a securities business, as well as any pending contractual or other obligations that may be material in consideration for employment.

The CCO or other qualified designee will conduct an appropriate background review of each potential employee prior to making an application for registration on behalf of that individual with Advisor. If a prospective investment advisor representative is currently or was previously registered with an investment adviser or broker-dealer, Brookstone will conduct an initial background review using the Central Registration Depository (CRD) system, FINRA BrokerCheck and/or the SEC’s Investment Adviser Public Disclosure. Prior to conducting a background review through the CRD system, the CCO is required to obtain written authorization from the prospective employee. The purpose of the background and due diligence review conducted through the CRD system and/or other means is to identify the existence of customer complaints, regulatory actions, or any other relevant material.

Under state regulations, the definition of an IAR varies greatly from state to state. In some states, any individual who solicits clients for an advisor must be registered as an IAR of Brookstone. In other states, only those who actually provide investment advice must be advisors. In others, the person(s) who supervise IARs must themselves be registered as an IAR. Indiana is the home state for Brookstone. Brookstone abides by Indiana regulations and the governing laws concerning registration. We are required to conduct an in-depth review of individual state registration requirements prior to soliciting business in any state in which we and/or each individual is not registered.

The CCO must receive notice of any disciplinary events of an IAR and will update the U4 on file, within 30 days, to reflect the related disclosures. The CCO will file Form U5 immediately upon termination of an IAR. The CCO will ensure a copy of the Form U5 is provided to the terminated advisor within 30 days.

### ***Renewal***

Brookstone will renew the firm and IAR registrations on a timely basis. Renewal requirements vary widely from state to state. Procedures stated below have been developed to ensure renewals are processed each year. Brookstone's procedures for the renewal process are as follows:

- a. Fund account via the E-Bill system on the IARD
- b. Update the ADV Part 1 and ADV2 for annual filing
- c. Update other documents based on review and make required changes
- d. To review, edit and ultimately approve all documents for renewal
- e. Electronically sign the ADV1, and upload the ADV2, via the IARD system.

### ***Continuing Education ("CE") for IARs***

Each IAR registered with Brookstone in a state that has adopted CE requirements for IARs must adhere to the following for each calendar year after their initial registration is granted:

- a. Complete 6 credits (a credit is 50 minutes of educational instruction) of IAR Regulatory and Ethics Content offered by an Authorized Provider, with at least 3 credits covering the topic of ethics; and
- b. Complete 6 credits of IAR Products and Practice Content offered by an Authorized Provider.

Each IAR is responsible for ensuring that the Authorized Provider reports the IAR's completion of the applicable IAR CE requirements. An IAR who fails to comply with this rule at the end of the reporting period (12-month calendar year) will renew with "CE Inactive" at the close of the calendar year until the IAR completes and reports all required IAR CE for all Reporting Periods. An IAR who is CE inactive at the close of the next calendar year is not eligible for IAR registration or renewal.

An IAR who completes CE in excess of the amount required for the reporting period may not carry forward excess credits to a subsequent reporting period.

## **3. DISCLOSURE DOCUMENTS**

### **3.1 *Policy***

It is the policy of Brookstone to review periodically the firm's business and services provided to clients and to, fully and accurately, disclose the types of services, advisory fees, etc., in Brookstone's Form ADV Part 2, marketing brochures, and other materials, as appropriate.

### **3.2 *Procedure***

Brookstone is required to provide all clients and prospective clients with a written disclosure document. Brookstone utilizes the ADV Part 2 as the means to provide such information. The major purpose of this disclosure document is to inform clients of our services, fees, business practices and conflicts of interest and/or material affiliations.

General provisions of the rule:

- a. **ADV Part 2 Initial Delivery:** The ADV Part 2 shall be delivered to an advisory client or prospective advisory client (i) not less than 48 hours prior to entering into any written investment advisory agreement with such client or prospective client; or (ii) at the time of entering into any such agreement if the advisory client has a right to terminate the agreement

without penalty within five business days after entering into the agreement. Evidence that the client received a copy of the disclosure document must be maintained in the client's file.

- b. **ADV Part 2 Annual Delivery:** Brookstone must annually provide each client the firm's brochure and deliver either (i) a copy of the most current brochure that includes a summary of material changes; or (ii) a summary of material changes, since the last annual renewal, that includes an offer to provide a copy of the current brochure. Brookstone will make this annual delivery no later than 120 days after the end of its fiscal year. The offer can be done either by mail or in accordance with the guidelines regarding electronic delivery of information, with permission from client.
- c. In addition, Brookstone will maintain a copy of each written statement and each amendment or revision sent to any client or prospective client along with a record of the dates that each written statement and each amendment or revision was given or offered.

### ***Amendments to Form ADV Part 1 and 2***

Brookstone shall review its Form ADV on an ongoing basis to ensure that the information is current. The CCO shall be responsible for reviewing the Form ADV on an ongoing, to ensure that all information is current, correct and accurate. The CCO is responsible for all Form ADV filings.

Specifically, Brookstone is required to make the following amendments:

- a. Promptly (within 30 days) any changes to Items 1, 3, 9, or 11 of Part 1A or Items 1, 2.A through 2.F, or 2.1 of Part 1B
- b. Promptly (within 30 days) any material changes to Items 4, 8, or 10 of Part 1A, Item 2.G of Part 1B, or the information in Brookstone's brochure
- c. An Annual Updating Amendment (relative to various information pertaining to Brookstone's operations, including its assets under management and its continued eligibility to be registered) within 90 days subsequent to Brookstone's fiscal year-end.

In addition, corresponding amendments and disclosures must also be made on Brookstone's written disclosure statement as set forth on Part 2A. It must also be filed electronically whenever material changes occur.

### ***Amendments to U4 and Schedule D of Form ADV Part 1***

IARs must inform the CCO of all changes that require an amendment to Form U4 or Schedule D of Form ADV Part I. This will include, but is not limited to: a change of home address, a name change, and any disciplinary matter, among other things. The CCO is responsible for ensuring the necessary changes are filed via the IARD/CRD within 30 days of the change.

### ***Form ADV-W***

Form ADV-W is used to withdraw registration as an RIA with the appropriate regulatory authority. Once an investment advisor has filed a Form ADV electronically with the IARD, any Form ADV-W must be filed with the IARD, unless a hardship exemption has been granted for such filing with the state jurisdictions where the RIA is registered.

### ***Disclosure of Financial and Disciplinary Information***

- a. Brookstone is required to make a disclosure amendment to reflect material events. A "precarious financial condition" means a financial condition of the firm that is "reasonably likely to impair Brookstone's ability to meet contractual commitments to clients." This would generally include insolvency or bankruptcy.
- b. Brookstone is required to disclose material facts about any legal or disciplinary event "material to an evaluation of Brookstone's integrity or ability to meet contractual commitments to clients involving the firm or its management persons." Management person means a person with the power to exercise, directly or indirectly, a controlling influence over the management or policies of an advisor, or to determine the general investment advice given to clients.

The following four factors will be considered when determining if an event is "material:"

- a. the distance of the entity or individual from the advisory function;



- b. the nature of the infraction;
- c. the severity of the sanction;
- d. the time elapsed (10 years).

## **4. ADVISORY AGREEMENT**

### **4.1 Policy**

It is the policy of Brookstone to maintain written advisory agreements with its clients and that such agreements meet all appropriate regulatory requirements. The terms of the advisory agreement describing fees must be consistent with information in our Form ADV as currently on file with the appropriate states.

All unearned, pre-paid fees must be refunded upon termination of the agreement. The terms of the advisory agreement describing services and fees must be consistent with information in the Form ADV, as currently on file with the appropriate states.

Investment objectives and/or management style shall be either included as part of the client's advisory agreement, contained in a separate suitability record, or a signed proposal. The client initials the agreement evidencing they have received the Form ADV Part 2 disclosure document.

### **4.2 Procedures**

For purposes of effecting Brookstone's policy on advisory agreements, the following procedures shall be applicable:

- a. All advisory agreements between Brookstone and its clients shall be in writing on a form approved by the CCO.
- b. The CCO shall be responsible for reviewing, on an ongoing basis, the standard form of each advisory agreement for purposes of confirming that the advisory agreement is consistent with the information in Brookstone's Form ADV2 and satisfies the specific requirements of the states in which the firm is registered.
- c. No changes to the advisory agreement(s) are allowed unless such changes are approved in writing by the CCO before the advisory client signs the agreement. The exception to the pre-approval is the negotiated advisory fees.
- d. IARs shall, upon execution by the client, promptly forward the advisory agreement(s) to the appropriate designated person for review, approval, and filing in the client file.

## **5. ADVISORY FEES**

### **5.1 Policy**

#### ***General Fees***

Brookstone's policy is to charge fair and competitive advisory fees and to disclose such fees fully and accurately to clients and prospective clients in Brookstone's Form ADV Part 2 and investment advisory agreement.

#### ***Performance Based Fees***

It is Brookstone's policy not to charge performance-based fees.

### **5.2 Procedure**

- a. The CCO shall be responsible for periodically (at least annually or more frequently if necessary) reviewing the advisory agreement and Form ADV Part 2 to ensure that the agreement and disclosure regarding advisory fees are accurate, consistent and correct.
- b. No advisory representative shall enter into any referral arrangement without the prior written consent of the CCO.
- c. All applicable fees for advisory services are referenced in Brookstone's current Form ADV Part 2.

The terms of the advisory agreement describing fees must be consistent with information in our Form ADV Part 2, as currently on file with the appropriate state(s).

Disclosures regarding excessive advisory fees and specific state requirements regarding fees are discussed in the Disclosure Document section of this manual.

### ***Disclosure of Additional Compensation***

Another area of disclosure with respect to compensation is the receipt of compensation, direct or indirect, (such as commissions, 12b-1 fees, incentives, gifts or other compensation). Disclosure is required for such compensation received by Brookstone, an advisory representative, control person or affiliate, related to client purchases, and the payment of referral fees. An RIA, unless also registered as a broker dealer, cannot effect transactions in securities for compensation.

### ***Referral Fees***

Brookstone may compensate Clients \$50 per referral up to a max of \$100 per Client, per year. The referral does not have to do any with business with Brookstone in order for the Client to receive the \$50. The referral does have to show up for a conference call, zoom, or face-to-face meeting.

## **6. BOOKS AND RECORDS**

### **6.1 Policy**

Brookstone is required to maintain various books and records on a current and accurate basis which are subject to periodic regulatory examination. Brookstone's policy is to maintain firm records in an appropriate, current, accurate and well-organized manner in hardcopy or electronically depending on the nature of the records. Brookstone's policy is to maintain required records and files for the first two years and in a readily accessible facility and location for an additional three years for a total of not less than five years from the end of the applicable fiscal year. Certain formation records and related legal documentation may be required to be kept for longer periods.

### **6.2 Procedures**

#### ***Retention of Records***

Brookstone is required to maintain books and records as follows:

All books and records must be kept for a period of not less than 5 years from the end of the applicable fiscal year. They must be retained in an appropriate office of Brookstone during the first 2 years and be accessible for the remaining 3 years. Pursuant to the Department of Labor's Fiduciary Rule 3.0, any transaction/recommendation that falls under this provision, records will be maintained for 6 years.

#### ***Maintenance of Electronic Records***

The storage of records by computer medium provides:

- a. The records required to be maintained and preserved pursuant to this rule can be immediately produced or reproduced by photograph on film or on magnetic disk, tape or other computer storage medium, and be maintained and preserved for the required time in that form. If records are produced or reproduced by photographic film or computer storage medium, Brookstone shall:
  - i. arrange the records and index the films on computer storage medium to permit the immediate location of any particular record;
  - ii. be ready, at all times, to provide and promptly provide any facsimile enlargement of film or computer printout or copy of the computer storage medium which the Regulator(s), by its examiners or other representatives request;
  - iii. store separately from the original, one other copy of the film or computer storage medium for the time required;
  - iv. with respect to records stored on computer storage medium, maintain procedures for maintenance and preservation of, and access to, records so as to reasonably safeguard records from loss, alteration, or destruction; and
  - v. with respect to records stored on photographic film, at all times have available for Regulators(s) examination of its records, facilities for immediate, easily readable projection of the film and for producing easily readable facsimile enlargements.
- b. Brookstone will maintain and preserve on computer tape, disk, or other electronic storage medium records, which, in the ordinary course of Brookstone's business, are created by

Brookstone on electronic media or are received by Brookstone solely on electronic media or by electronic data transmission.

### **Maintenance of All Records**

The CCO is responsible for supervising Brookstone's books and records, as well as, monitoring and reviewing all firm documents. Brookstone is required to keep and maintain certain books and records as appropriate for Brookstone's business, as itemized below:

- a. A journal or journals, including check receipts blotter, and any other records of original entry forming the basis of entries in any ledger.
- b. General and auxiliary ledgers (or other comparable records) reflecting asset, liability, reserve, capital, income and expense accounts.
- c. All checkbooks, bank statements, canceled checks and cash reconciliations of Brookstone.
- d. All bills or statements (or copies thereof), paid or unpaid, relating to the business of Brookstone. For example, copies of checks both front and back or similar evidence of payment of invoices must be maintained by Brookstone.
- e. All trial balances, financial statements, and internal audit working papers relating to the business of Brookstone.
- f. A memorandum of each order given by any IAR for the purchase or sale of a security, of any instruction received by IAR of Brookstone from the client concerning the purchase, sale, receipt or delivery of a particular security, and of any modification or cancellation of any such order or instruction. Such memoranda shall:
  - i. show the terms and conditions of the order (buy or sell);
  - ii. show any instruction, modification or cancellation;
  - iii. identify the IAR connected with Brookstone who recommended the transaction to the client;
  - iv. identify the IAR who placed the order;
  - v. show the account for which the transaction was entered;
  - vi. show the date of entry;
  - vii. identify the bank, broker or dealer by or through whom executed; and
  - viii. identify orders entered into pursuant to the exercise of Brookstone's discretionary authority.
- g. All written communications received and sent by Brookstone relating to (A) any recommendation made or proposed to be made and any advice given or proposed to be given; (B) any receipt, disbursement or delivery of funds or securities; or (C) the placing or execution of any order to purchase or sell any security; provided, however, (i) that Brookstone shall not be required to keep any unsolicited market letters and other similar communications of general public distribution not prepared by or for the investment advisor, and (ii) that if Brookstone sends any notice, circular or other advertisement offering any report, analysis, publication or other investment advisory service to more than 10 persons, the investment advisor shall not be required to keep a record of the names and addresses of the persons to whom it was sent; except that if such notice, circular or advertisement is distributed to persons named on any list, the investment advisor shall retain with the copy of such notice, circular or advertisement a memorandum describing the list and the source thereof.
- h. A list or other record of all accounts in which Brookstone has with any discretionary power with respect to the funds, securities or transactions of any client.
- i. All powers of attorney and other evidences granting any discretionary authority by any client to Brookstone, or copies thereof.
- j. Copies of all powers of attorney and other evidences granting of any discretionary authority by any client that Brookstone refers to the third party investment advisor.
- k. Copies of all written agreements entered into by any client referred to a third party investment advisor by Brookstone.
- l. In addition, Brookstone will maintain copies of client suitability documentation reflecting basic background and financial information on the client. Brookstone will review the suitability information with the client on an annual basis to ensure all information is current and accurate.

- m. All written agreements (or copies thereof) entered into by Brookstone with any client or otherwise relating to the business of Brookstone.
- n. A copy of each notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication that the investment advisor circulates or distributes, directly or indirectly, to one or more persons, and if such notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication recommends the purchase or sale of a specific security and does not state the reasons for such recommendation, a memorandum of the investment advisor indicating the reasons therefore is required. If the advertising contains a testimonial or endorsement where ABC compensates the other party, ABC shall also maintain the following:
  - i. A written agreement describing the scope of the agreed upon activities and the terms of the compensation that is above the de minimis threshold.
- o. Supporting documentation of performance calculations or rates of return, in any written communication that Brookstone directly or indirectly distributes to any person and maintain all written communications received or sent related to the performance or rate of return.
- p. Annual Personal Holdings Report: See Section 9 of this manual for detailed information.
- q. Quarterly Personal Securities Transaction Report: See Section 9 of this manual for detailed information.
- r. Disclosure Brochures/Form ADV Part 2: A copy of each written statement and each amendment or revision thereof, given or sent to any client or prospective client of Brookstone in accordance with the provisions of Rule 204-3 under the Act, (the so-called "Brochure Rule") and a record of the dates that each written statement, and each amendment or revision thereof, was given, or offered to be given, to any client or prospective client who subsequently becomes a client.
- s. It shall be unlawful for any investment advisor or IAR licensed or required to be licensed under the Advisers Act to compensate, directly or indirectly, any person who acts as a solicitor, unless such person is licensed as an IAR. Any person engaged in impersonal investment advisory services shall not be required to be licensed as an IAR. A "Solicitor" is any person or entity who for compensation, acts as an agent of an investment advisor or IAR licensed or required to be licensed under the Act.
- t. "Impersonal investment advisory services" means investment advisory services provided solely by means of (i) written materials or oral statements which do not purport to meet the objectives or needs of a particular client or prospective client of the investment advisor or IAR, (ii) statistical information containing no expression of opinions as to the investment merits of particular securities, or (iii) any combination of the foregoing services.
- u. For investment advisors that provide "Investment Supervisory Services" or otherwise manage client portfolios: Every investment advisor who renders any investment supervisory or management service to any client shall, with respect to the portfolio being supervised or managed and to the extent that the information is reasonably available to or obtainable by the investment advisor, make and keep true, accurate and current:
  - i. Separate records, for each client, the securities purchased and sold, and the date, amount and price of each purchase and sale.
  - ii. Record of each security in which any client has a current position, information from which Brookstone can promptly furnish the name of each client, and the current amount or interest of that client.
- v. Limited Liability Company articles of organization and any amendments, charters, minute books, and stock certificate books of Brookstone and of any predecessor shall be maintained in the principal office of Brookstone and preserved until at least three years after termination of the entity.
- w. A record made and kept pursuant to any provision of this rule, which contains all the information required under any other provision, need not be maintained in duplicate in order to meet the requirements of the other provision of the rule.

### ***Rollover Advice to Retirement Accounts***

Brookstone will maintain documentation of the specific reasons why a rollover is in the best interest of a retirement plan investor (Retirement plan includes workplace retirement plans (e.g. 401(k)s, Pensions, etc.) and individual retirement accounts and annuities (IRAs)). This documentation will reflect, but is not limited to the following:

- a. Consideration of alternatives to the rollover, including leaving the account in the current plan, if permitted, and selecting different investment options.
- b. The fees and expenses associated with both the current plan and the recommended plan.
- c. If an employer sponsored plan, whether the employer pays for some or all of the plan's administrative expenses.
- d. The different levels of services and investments available under the current plan and the recommended plan.
- e. The long-term impact of any increased costs and the reason(s) why the added benefits justify those added costs, as well as the impact of features such as surrender schedules and index annuity cap and participation rates.

Brookstone will make diligent and prudent efforts to obtain pertinent information about the plan. If that effort is unsuccessful, a reasonable estimation of expenses, asset values, risk and returns based on publicly available information will be made. If assumptions are made, Brookstone will document the assumptions used and their limitations.

The CCO will conduct regular reviews of rollover recommendations.

Brookstone will also conduct, at least annually, a retrospective review of the methodology and results of the aforementioned rollover recommendations. This review shall be presented to the Chief Compliance Officer or other designated senior executive of Brookstone. This review shall be completed within six months of the close of the review period.

The report shall include:

- a. Testing a sample of transactions (across different types and sizes)
- b. Identify deficiencies in the policies and procedures
- c. How any deficiencies are rectified.

The CCO (or designee) shall, as outlined in the report:

- a. Certify receipt and their review of this report.
- b. Certify that Brookstone has in place policies and procedures (e.g. Rollover Comparison Worksheet) that are prudently designed to adhere to the provisions of the exemption including but not limited to the Impartial Conduct Standards.
- c. Certify that Brookstone has in place a process that is prudently designed to modify such policies and procedures as business, regulatory, or legislative conditions dictate.
- d. Certify that Brookstone has tested the effectiveness of the policies and procedures.

This report must be made available to the Department of Labor, upon request, within ten business days of such a request. In the event any serious failures or deficiencies are discovered during the review, the DOL included a self-correction mechanism in PTE 2020-02. The firm can avoid prohibited transaction consequences by correcting any failures within 90 days of discovery and reporting the failure and corrections to the DOL within 30 days of correction. The DOL can be notified via email to [IIAWR@dol.gov](mailto:IIAWR@dol.gov). In order to be eligible for correction, the violation must not have resulted in investment losses to the retirement investor or the firm has made the retirement investor whole for any resulting losses.

### ***Discontinuing Business***

Before ceasing to conduct or discontinuing business as an RIA, Brookstone shall arrange for and be responsible for the preservation of the books and records required to be maintained and preserved for the 5 year period specified in the Record Retention section, and shall notify the Regulators, in

writing, at its principal office of the exact address where such books and records will be maintained during such period. Brookstone's Record Keeping Checklist is attached.

### ***Records Destruction***

Brookstone will follow the procedures below in determining when and how to destroy personal client information:

Brookstone will assess whether it is time to dispose of personal client information, considering the following points: Reviewing the purpose for having collected the personal information.

- a. If personal information was used to make a decision about an individual, it will be retained for the legally required period of time – to allow the individual to access that information in order to understand, and possibly challenge, the basis for the decision.
- b. If retaining personal information any longer would result in a prejudice for the concerned individual, or increase the risk and exposure of potential data breaches, the organization will consider safely disposing of it.

Information is mainly stored on two kinds of media:

- a. Hard copy: physical representations of data, such as paper printouts. This includes, among other things, notes, memos, messages, correspondence, transaction records and reports.
- b. Electronic copy: information stored on electronic media, such as computer hard drives, copier and printer hard drives, removable solid drives including memory, disks and USB flash drives, mobile phones, magnetic tapes and cloud storage that allows users to store files online and is accessible via the internet.

One or more of the following methods will be used for securely destroying personal client information:

- a. By completely destroying the media, whether hard or electronic copy. In a way to ensure that the information stored on it can never be recovered. This can be accomplished using a variety of methods including disintegration, incineration, pulverizing, shredding and melting.
- b. By deleting information using methods that resist simple recovery methods, such as data recovery utilities and keystroke recovery attempts. One method for clearing media is overwriting, which can be done using software and hardware products that overwrite the media with non-sensitive data.
- c. By degaussing, in which magnetic media are exposed to a strong magnetic field to make data unrecoverable. This can be used to protect against more robust data recovery attempts, such as a laboratory attack using specialized tools (for example, signal processing equipment). Degaussing cannot be used to purge nonmagnetic media, such as CDs or DVDs.
- d. If Brookstone has to dispose of electronics, we will have a designated person responsible for arranging appropriate data destruction and instruct employees to direct all electronic material and devices to that person.

### ***Business Continuity Plan***

Brookstone is required to maintain a Business Continuity Plan to establish emergency preparedness plans and procedures in the event of a significant business disruption ("SBD") and demonstrate how to respond to events of varying scope. Brookstone will review its Business Continuity Plan and summary at least annually.

## **7. FINANCIAL RECORDS**

Brookstone shall maintain current and accurate financial records and monitor any applicable state financial reporting requirements. Brookstone is required to be solvent. CCO shall be responsible for maintaining such records and monitoring the applicable reporting requirements.

See the Books and Records section of this manual for additional requirements for financial books and records.

## **8. GENERAL CORPORATE RECORDS**

Corporate organization documents need to be maintained at Brookstone's principal office and kept current (such as corporate election of officers, directors, minutes, stock register or all appropriate

partnership documents). This information relating to officers, directors, partners, etc., needs to be promptly and correctly reflected on Form ADV Part I, Schedule A, Schedule B, or Schedule C, as appropriate.

## 9. CODE OF ETHICS

### 9.1 Policy

Brookstone's Code of Ethics is based on the guiding principle that the interests of the client is the top priority. Brookstone's officers, directors, advisors, and other employees have a fiduciary duty to our clients and must diligently perform that duty to maintain the complete trust and confidence of our clients. When a conflict arises, it is our obligation to put the client's interests over the interests of either employees or Brookstone.

Brookstone views our Code as a living document that exists to ensure that the interests of our clients are continually protected. We review the Code and update it to keep current with changes in the industry.

The purpose of our Code of Ethics is to ensure that when employees buy or sell securities for their personal account, they do not create a conflict with our clients. We do not allow any employees to use nonpublic material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our clients.

#### General Provisions

The Code of Ethics applies to "access" persons. "Access" persons are employees with "access" to client's private information. They would include advisors, their assistants, Compliance personnel, and senior management.

New "access" persons are briefed on the Code and are given a copy when hired. Before being appointed or within one week of their hire, they must indicate in writing that they have read the Code and agree to its provisions by signing the Acknowledgement of Receipt Form of this manual. After that, Brookstone requires them to review the Code annually and acknowledge, in writing, that their personal investing has complied with the requirements.

The following provisions apply to all "access" persons:

*Personal transactions:* The Code requires all persons to report their personal securities transactions to Brookstone. This includes any activity in any account where the person has a monetary interest.

*Reportable securities:* The Code applies to the buying and selling of equities, bonds, closed end mutual funds, options, futures, and private placements. The SEC has exempted from reporting certain securities, including open-end mutual funds, certificates of deposit, and short-term government obligations.

*Brokerage accounts:* All persons must provide Brookstone with a current list of their brokerage accounts on an annual basis. Access persons must also provide a list of brokerage accounts controlled by the access person or by anyone who resides in the same household (same address) as the access person.

*Reporting requirements:* All persons must report their personal transactions to Brookstone. This is accomplished by the receipt of a Personal Trading Report due by the 30th day of the month following the end of each quarter.

*General restrictions:* The following restrictions also apply:

- a. You may not give or accept gifts of a value greater than \$100, per client, per year.
- b. You must get approval from CCO to serve on a board of directors.
- c. You must get approval from CCO to participate in private placement transactions.
- d. You must disclose all new brokerage accounts and other securities holdings within 10 days of employment or prior to appointment as an IAR and quarterly thereafter.
- e. You may not borrow and/or lend monies and/or securities from or to clients respectively.

*Pre-clearance of trades:* At this time, Brookstone does not require pre-clearance of trades.

*Compliance with Federal and State Security laws:* All persons must comply with applicable Federal and State securities laws.

*Code of Ethics violations:* All persons must report any and all violations of these Code of Ethics promptly to the CCO or any other person designated.

### **Monitoring and Enforcement**

Brookstone takes seriously our responsibility to oversee and enforce the Code of Ethics. The CCO is mandated to supervise Brookstone's compliance activities.

The CCO has primary responsibility for ensuring that employees are following all applicable provisions of the Code of Ethics. The CCO also sees that the appropriate procedures and systems are in place to monitor compliance.

When there is reason to believe an employee has violated the Code, the CCO will conduct an in-depth review and will determine the appropriate action.

Sanctions under the Code range in severity from a caution, to warnings, fines, or termination.

Brookstone prohibits any person from acting upon or otherwise misusing non-public or inside information. No advisory representative or other employee, officer or director of Brookstone may recommend any transaction in a security or its derivative to advisory clients or engage in personal securities transactions for a security or its derivatives if the advisory representative possesses material, nonpublic information regarding the security. The agreement to abide by Brookstone's procedures on Insider Trading must be read and signed by every officer, director, advisory representative and employee of Brookstone. Covered persons shall direct any questions regarding Brookstone's policy on insider trading to the CCO.

## **9.2 Procedures**

### ***Insider Trading***

**Prevention of Insider Trading.** For purposes of preventing insider trading, the CCO shall:

- a. answer questions and inquiries regarding Brookstone's policy;
- b. review Brookstone's policy on a regular basis and update to reflect regulatory and industry changes;
- c. resolve issues as to whether information received by an officer, director, employee or advisory representative constitutes material and nonpublic information;
- d. upon determination that an officer, director, employee, or advisory representative has possession of material nonpublic information:
  - i. implement measures, to prevent dissemination of such information; and,
  - ii. restrict officers, directors, employees and advisory representatives from trading on any affected securities;
- e. hold meetings with all employees, at least annually, to review the policy.

**Detection of Insider Trading.** For purposes of detecting insider trading, the CCO, or designee shall, on a quarterly basis:

- a. review the trading activity reports filed by each officer, director, employee and advisory representative;
- b. submit his or her trading records and other relevant information to another senior manager for review;
- c. review the trading activity of accounts managed by Brookstone;
- d. if applicable, review trading activity involving Brookstone's own account; and
- e. coordinate the review of such reports with other appropriate officers, directors, employees and advisory representatives of Brookstone.

### ***Personal Securities Records***

The personal trading and investment activities of employees/independent contractors of investment advisory firms are the subject of various state securities laws, rules and regulations. Underlying these requirements is the fiduciary capacity in which an IAR acts for clients. A fiduciary has a duty of loyalty



to clients, which requires that Brookstone act in the best interest of the client and always place the client's interests first.

When investment advisory personnel invest for their own accounts, conflicts of interest may arise between the clients' and the employee's interests. The conflicts may include taking an investment opportunity from the client for an employee's own portfolio, using an employee's advisory position to take advantage of available investments, or front-running, which may be an employee trading before making client transactions, thereby taking advantage of information or using client portfolio assets to have an effect on the market which is used to the employee's benefit.

The rules require the reporting of all securities holdings, including listed and unlisted securities, private transactions (which include private placements, nonpublic stock or warrants) and securities that are not custodial (held in certificate form) in these personal reports.

The following types of securities held by Brookstone or its employees/contractors and associated persons (covered persons) are not required to be reported to and maintained by the firm in its records for personal transactions in:

- a. direct obligations of the United States Government;
- b. open-end investment company shares, whether affiliated or non-affiliated;
- c. interests in variable insurance products;
- d. affiliated money market mutual funds;
- e. money market instruments, such as, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high-quality short-term debt instruments.

In addition, a system for review of personal securities holdings for all officers, directors, employees with access to nonpublic information, and their immediate family's needs to be implemented and maintained to determine if employees are holding securities that may influence the market.

### ***Initial and Annual Holdings Reports***

Initial holdings reports must be filed within 10 days of an individual becoming an "access person". An "access person" is an advisory person of Brookstone who has "access" to non-public information regarding advisory client transactions in securities or non-public information regarding securities recommendations. The information on holdings reports must be current within 45 days. Brookstone will maintain written documentation of the individual's personal securities holdings. Annual holdings reports must be filed on an annual basis. The records must be for the personal holdings of Brookstone, its officers, employees, spouses, minor children, and members of the households of those aforementioned persons, who may have a direct or indirect beneficial interest. This report is attached to this manual.

The documentation will include:

- a. Account number;
- b. Security name and ticker/CUSIP;
- c. Number of shares;
- d. Amount of the security held; and
- e. Name of the broker-dealer or bank of where the security is held.

### ***Quarterly Personal Transactions Reports***

Within 30 days of the calendar quarter end, Brookstone will obtain documentation of the personal securities transactions of Brookstone, its officers, directors and employees, the spouses, minor children, and members of the households of those officers, directors and employees, as well as any securities transactions in which an officer, director or employee may have a direct or indirect beneficial interest<sup>1</sup>. This report is attached to this manual. The documentation will include:

- a. Title and amount of the security involved;
- b. Date of the transaction;

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<sup>1</sup> Such persons are deemed to have a beneficial interest of a security if they (a) have voting or dispositive power with respect to the security and (b) have a direct or indirect pecuniary interest in the security.

- c. Nature of the transaction (purchase or sale);
- d. Price at which the trade was effected; and
- e. Name of the broker-dealer or bank that executed the transaction.

The CCO shall quarterly review the records of personal securities transactions and other trading records maintained by Brookstone for purposes of detecting and preventing abusive sales practices such as “scalping” or “front running” and to highlight potentially abusive brokerage arrangements.

In addition, all Brookstone personnel shall sign the acknowledgment form annually, agreeing to comply with Brookstone’s policies and procedures, and to disclose any outside business/other activities, non-custodial securities holdings, and the personal securities accounts for any member of their immediate household and current “beneficial ownership” accounts.

## **10. CUSTOMER COMPLAINT RECORDS**

All complaints, whether verbal or written, are to be brought to the immediate attention of the CCO. Complaints are NEVER TO BE NEGOTIATED by an IAR. All complaints are to be recorded on the Customer Complaint Log attached.

A complaint shall be defined as any statement made by a client or any person acting on behalf of a client that alleges a grievance against Brookstone, or anyone associated with Brookstone, in connection with the solicitation or execution of any securities transaction or the disposition of securities or the funds of that client.

Upon receipt of a complaint, the CCO shall:

- a. Acknowledge receipt of the complaint, in writing, to the client or client’s counsel.
- b. Require written memoranda of response from the IAR involved (as well as any other individual who may have knowledge of the facts).
- c. Notify legal counsel, if necessary, and promptly transmit all letters, memos and other data.
- d. Promptly respond to the customer, when the analysis is complete and maintain a copy of the response in the file.

## **11. ADVERTISING AND MARKETING**

### **11.1 Policy**

Brookstone from time to time, will utilize advertising for the investment advisory services offered by Brookstone. As a matter of Brookstone’s policy, advertisements must be truthful and accurate and any advertising that is misleading, fraudulent, deceptive and/or manipulative is prohibited. The following may not be contained in any advertisements by an RIA:

- a. Testimonials concerning any advice or service of Brookstone or its IAR’s, unless ABC follows the amended “Marketing Rule”. Testimonials are typically in the form of endorsements as to Brookstone’s services or performance. If ABC allows the use of testimonials, the following rules will be followed:
  - i. ABC discloses, or reasonably believes that the person giving the testimonial or endorsement discloses the following at the time the testimonial or endorsement is disseminated:
    - i. Clearly and prominently disclose:
      - 1. That the testimonial was given by a current client and/or the endorsement was given by a person other than a current client;
      - 2. That cash or non-cash compensation was provided for the testimonial or endorsement, if applicable; and the material terms of any compensation arrangement including a description of the compensation provided or to be provided, directly or indirectly, to the person for the testimonial or endorsement; and

3. A brief statement of any material conflicts of interest on the part of the person giving the testimonial or endorsement resulting from the adviser's relationship with such person.

- ii. Execute a written agreement with any person/entity giving a testimonial or endorsement that describes the scope of the agreed upon activities and the terms of the compensation for those activities when ABC is providing compensation for testimonials and/or endorsements that is above the de minimis threshold of under \$1,000 during the preceding 12 months.

Representative client lists could be testimonials and may not be used unless certain conditions are met as follows:

- i. Brookstone will not use performance-based criteria to determine which clients to include in the list;
- ii. The client list will include the disclaimer: "It is not known whether the listed clients approve or disapprove of Brookstone or their services;" and
- iii. Each client list will include a statement disclosing the objective criteria used to determine which clients to include in the list.

Third-party ratings in an advertisement could also be testimonials and may not be used unless certain conditions are met as follows:

- i. ABC to have a reasonable basis to believe any questionnaire or survey used in the preparation of the third-party rating is structured to make it equally easy for a participant to provide favorable and unfavorable responses and is not designed or prepared to produce any predetermined result.
- ii. ABC clearly and prominently disclose, or reasonably believes the third-party rating clearly and prominently disclosed:
  - The date on which the rating was given and the period of time upon which the rating was based;
  - The identity of the third-party that created and tabulated the rating; and
  - If applicable, that compensation has been provided directly or indirectly by the adviser in connection with obtaining or using the third-party rating (the "disclosure requirement").
- b. References to past or specific recommendations of Brookstone that were or would have been profitable to a person (accepting advertisements listing or offering to list all recommendations for at least one year, together with certain required information and containing a required cautionary clause).
- c. Representations that any graphs, charts, or formula or device can be used to determine which securities to buy or sell or when to buy or sell them unless accompanied by explicit disclosure regarding the limitations and serious difficulties and risks inherent with their use.
- d. Any representation that a service will be provided free of charge unless there is in fact no condition or obligation.
- e. Any untrue statement of a material fact or which may be false and/or misleading.
  - i. This includes promissory language, unsubstantiated claims, use of ratings without disclosing the rating criteria, performance advertising, profiles that include any "puffery" of job titles, responsibilities or credentials. All profile descriptions must be modest and factual.
  - ii. In regard to IAR ratings, honors or awards in any advertisements Brookstone will ensure that if there is a fee paid to receive a rating honor or award and the category for which the rating, honor, or award was calculated, the number of advisors surveyed in that category, and the percentage of advisors or IARs that received the rating honor or award will be disclosed.
  - iii. Additionally, if ratings, honors or awards are used for any supervised persons, explanations and criteria of the minimum qualifications required for each rating, award and honor will be disclosed with the advertisement

While the term “misleading” is not specific in its intent, a regulator generally would base its determination on all the particular facts relative to the advertisement and would look carefully at the form and content of the advertisement, the implications or inferences that could reasonably be made from the advertisement in its total context and the overall sophistication of the audience who was receiving the advertisement’s message. The determination of misleading or false statements is generally judged against a standard of fair and accurate disclosure in keeping with the fiduciary nature of the advisor-client relationship.

Advertisements that compare performance to an index will include performance, based on a relevant and meaningful index, and where performance is superior; the advertisement will note any special factors leading to this performance. Any information regarding rates of return must reflect performance gross or net of brokerage commissions, advisory fees and expenses as summarized in the following Past Specific Recommendations Section.

All advertising and marketing materials must be consistent with the fees and services as described in Brookstone’s current Form ADV.

**Past Specific Recommendations:** Advisors may list or identify securities that were recommended in the past and that have become profitable only if the specific conditions of the rule are met. (The rule does not apply to current recommendations.) These conditions include offering or including a list of all securities recommended for the past year that must include specific information and disclosure that states: "It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities in this list".

Brookstone may also distribute reports to clients and prospective clients that identify and discuss certain, but not all, securities bought, sold, or managed by Brookstone provided certain conditions are met. These conditions include using consistent and objective non-performance-based criteria in selecting the securities, not disclosing profits or losses, and maintaining records among others.

**Article Reprints:** Reprints of newspaper or periodical articles about an advisor, or its personnel, are subject to the advertising rules and must not be misleading.

**Website and Social Media:** Information provided in Brookstone’s website and social media is subject to the state’s advertising rules, and also any applicable state regulations. Website and social media information must therefore be considered advertising and subject to the same policies and procedures for the review, approval and retention of advertising and marketing materials. Regulators search and review the Internet for advertising and performance information provided by advisors.

Advertising or providing advisory services on the Internet may also result in Brookstone having to register the firm/IARs in the states unless certain safeguards, checkpoints or disclosures are provided.

Brookstone recognizes there are two uses for social media: personal and business. Social media platforms provide a way to communicate and share information quickly and easily with clients, friends and family. Facebook, Twitter, YouTube, WordPress, LinkedIn and Blogger social media outlets are just a few of the many available outlets.

The Social Media Policy is intended to provide guidance to employees on the use of social media.

#### *Principles of Social Media Use*

All social media exchanges shall follow these four basic principles:

- a. Treat all social networking as advertising;
- b. Monitor social media use frequently;
- c. Maintain comprehensive records of use (see Retention of Records); and
- d. Avoid improper use of testimonials (don’t click on “Like” or “Thumbs-Up” buttons).

#### *Personal Use of Social Media*

Brookstone recognizes the rights of its employees to use social media as a form of self-expression and communication. Brookstone does not restrict employees from using social media for personal use, but certain conditions must be agreed to:

- a. If employees identify themselves as an employee of Brookstone, they must clearly state they are not representing Brookstone on these sites;
- b. No use of Brookstone's logo;
- c. Refrain from posting items that could reflect negatively on Brookstone's reputation;
- d. Should not be accessing and posting while on firm time;
- e. Cannot solicit any firm business through the sites;
- f. Protect the privacy of Brookstone's clients, do not post confidential information; and
- g. Agree to comply with Brookstone's policy.

Employees should use sound judgment and common sense when using social media and take responsibility for what is posted. If an employee becomes aware of any violation of Brookstone's policy, they should report it immediately to the CCO.

#### *Business Use of Social Media*

Brookstone allows social media to be used for business purposes under the conditions described within this policy. Social media can be deemed to be sales literature, advertising or communications with the public and Brookstone and employees must comply with the applicable rules and internal policies as described in this Compliance Manual.

Social media sites, such as Facebook, Twitter, and LinkedIn can contain both static content and interactive functions. Publicly available websites are considered advertising and the static content, such as profile, background or wall information, must be approved by the CCO of Brookstone prior to posting. The interactive posts are viewed as communications, sales literature or public appearances. While these posts are not required to be approved prior to posting, Brookstone is responsible for supervising such communication.

The following types of posting are not allowed:

- a. Any recommendations;
- b. Any negative posting about Brookstone, its competitors, employees, or etc.;
- c. Any confidential information about clients or Brookstone;
- d. Any infringement of copyrighted materials;
- e. Any fraudulent, deceptive, or false statements; and

Brookstone will meet the recordkeeping requirements through one of the following means or a combination of such:

- a. Hard copies – print and retain content
- b. Electronic copies – download to Brookstone's computer files
- c. Third Party Service – contract with outside party for retention

#### *Third Party Posts*

Online posts by customers or other third parties are generally not treated as Brookstone's communication with the public. However, because registered investment advisors are not allowed to use testimonials, Brookstone must monitor the third party postings. If a posting is deemed a testimonial, Brookstone will immediately delete it when Brookstone becomes aware of the post.

#### *Supervision*

Due to the spontaneous nature of social media, Brookstone requires all employees to disclose to Brookstone any social media sites which they plan or are using for business purposes in writing. Brookstone will review the static content and provide a written approval, denial or required changes. Brookstone will review/train all employees on the Social Media Policy. The CCO will be responsible for reviewing at least on a quarterly basis the approved social media sites. Brookstone will maintain a Social Media Log to track social media sites used by employees for business purposes as well its review of these sites.

#### ***Use of the Terms "RIA" or "Investment Counsel"***

An RIA is prohibited from representing or implying that it has been approved or endorsed by any state or federal regulatory body. An RIA may indicate that it is registered as an advisor and where applicable as a broker. The business entity is known as the Registered Investment Advisor and the individual registered with Brookstone is known as the IAR. **No** individual or firm shall use the term "RIA" to refer

to itself as the use of these initials implies an educational or professional designation and therefore is misleading.

An investment advisor **may not** refer to itself as “investment counsel” or use the term to describe its business unless the “principal” business of the advisor is rendering investment advice and a substantial part of Brookstone’s business consists of rendering “investment supervisory services” as defined on Form ADV.

### ***Use of Professional Designations***

Brookstone prohibits the use of a senior specific certification (or designation) by any IAR as to mislead any individual. The prohibited use of such certifications or professional designation includes, but is not limited to, the following:

- a. Use of a certification or professional designation by a person who has not actually earned or is otherwise ineligible to use such certification or designation;
- b. Use of a nonexistent or self-conferred certification or professional designation;
- c. Use of a certification or professional designation that indicates or implies a level of occupational qualifications obtained through education, training, or experience that the person using the certification or professional designation does not have; and
- d. Use of a certification or professional designation that was obtained from a designating or certifying organization that:
  1. Is primarily engaged in the business of instruction in sales and/or marketing;
  2. Does not have standards or procedures for assuring the competency of its designees or certificants;
  3. Does not have standards or procedures for monitoring and disciplining its designees or certificants for improper or unethical conduct; or
  4. Does not have continuing education requirements for its designees or certificants in order to maintain the designation or certificate.

Prior to the use of any professional designation, an IAR must receive approval from the CCO prior to using such designation. In its review of such designations, the CCO will consider whether a combination of words (or an acronym standing for a combination of words) constitutes a certification or professional designation indicating or implying that a person has special certification or training in advising or servicing senior citizens or retirees. Among the factors the CCO will consider are:

Use of one or more words such as “senior,” “retirement,” “elder,” or like words, combined with one or more words such as “certified,” “registered,” “chartered,” “advisor,” “specialist,” “consultant,” “planner,” or like words, in the name of the certification or professional designation;

- a. The manner in which those words are combined;
- b. Any examination and continuing education requirements; and
- c. Any prohibitions by a state on the use of certain professional designations.

### ***Performance Data***

Brookstone may not include in any advertisement:

- (1) Any presentation of gross performance, unless the advertisement also presents net performance:
  - (i) With at least equal prominence to, and in a format designed to facilitate comparison with, the gross performance; and
  - (ii) Calculated over the same time period, and using the same type of return and methodology, as the gross performance.
- (2) Any performance results, of any portfolio or any composite aggregation of related portfolios, in each case other than any private fund, unless the advertisement includes performance results of the same portfolio or composite aggregation for one-, five-, and ten-year periods, each presented with equal prominence and ending on a date that is no less recent than the most recent calendar year-end; except that if the relevant portfolio did not exist for a particular prescribed period, then the life of the portfolio must be substituted for that period.
- (3) Any statement, express or implied, that the calculation or presentation of performance results in the advertisement has been approved or reviewed by the Commission.

- (4) Any related performance, unless it includes all related portfolios; provided that related performance may exclude any related portfolios if:
  - (i) The advertised performance results are not materially higher than if all related portfolios had been included; and
  - (ii) The exclusion of any related portfolio does not alter the presentation of any applicable time periods prescribed by [paragraph \(2\)](#) of this section.
- (5) Any extracted performance, unless the advertisement provides, or offers to provide promptly, the performance results of the total portfolio from which the performance was extracted.
- (6) Any hypothetical performance unless the investment adviser:
  - (i) Adopts and implements policies and procedures reasonably designed to ensure that the hypothetical performance is relevant to the likely financial situation and investment objectives of the intended audience of the advertisement;
  - (ii) Provides sufficient information to enable the intended audience to understand the criteria used and assumptions made in calculating such hypothetical performance; and
  - (iii) Provides (or, if the intended audience is an investor in a private fund, provides, or offers to provide promptly) sufficient information to enable the intended audience to understand the risks and limitations of using such hypothetical performance in making investment decisions; Provided that the investment adviser need not comply with the other conditions on performance in [paragraphs \(2\), \(4\), and \(5\)](#) of this section.
- (7) Any predecessor performance unless:
  - (i) The person or persons who were primarily responsible for achieving the prior performance results manage accounts at the advertising adviser;
  - (ii) The accounts managed at the predecessor investment adviser are sufficiently similar to the accounts managed at the advertising investment adviser that the performance results would provide relevant information to clients or investors;
  - (iii) All accounts that were managed in a substantially similar manner are advertised unless the exclusion of any such account would not result in materially higher performance and the exclusion of any account does not alter the presentation of any applicable time periods prescribed in [paragraph \(2\)](#) of this section; and
  - (iv) The advertisement clearly and prominently includes all relevant disclosures, including that the performance results were from accounts managed at another entity.Brookstone does not provide performance reporting other than providing individuals performance reports on their specific accounts

## **11.2 Procedures**

For purposes of ensuring compliance with the above advertising and marketing requirements, the following procedures shall be applicable:

- a. Any advertising materials, including stationery and business cards, must be approved by the CCO prior to use. The advertising will be submitted for review along with the Advertising Approval Form. All advertising materials must conform to the standards set forth above.
- b. The CCO, or designee, shall be responsible for reviewing and approving all advertising materials. The initialing and dating of advertising copy shall indicate approval. In addition, the CCO shall maintain a sequential log of all advertisements reviewed. The CCO shall be responsible for maintaining all advertising records at a readily accessible location and in accordance with applicable laws, rules and regulations.

### ***Telemarketing Rule***

In accordance with the Telephone Consumer Protection Act of 1991, the Federal Communications Commission instituted a "Cold Calling Rule." The purpose of this rule is to establish procedures eliminating telephone solicitations to residences, which have requested that the solicitations cease, and to place the use of automatic telephone dialing systems, pre-recorded and/or artificial voice messages and facsimile machines under some uniform regulation.

The following guidelines will be strictly adhered to on any solicitation of customer or sales utilizing cold calling and any violations will result in disciplinary action:

**Time Restriction:** No cold calls are permitted to a called party's location before 8 a.m. or after 9 p.m.

**Restriction Lists:** Any called party, which requests that cold calls no longer be made to them will have their names added to a list maintained by Brookstone. Any employee who receives such a request from a called party is immediately required to give the individual's name to the appropriate individual for addition to the list. Prior to making any telemarketing calls, all names of prospective clients shall be checked against the National do-not-call list. In no event shall prospects, who are not existing clients and whose names appear on the do-not-call lists, be called for telemarketing purposes.

**Identification:** Any employee making a cold call will provide the called party with:

- a. the caller's name
- b. the name of this firm
- c. Brookstone's telephone number
- d. Brookstone's address

If there are any questions concerning what is and what is not permitted concerning cold calling, please direct your questions to the CCO.

All telemarketing calls shall strictly follow a script that has been reviewed and approved by the CCO.

## **12. INVESTMENT PROCESSES AND TRADING**

### **12.1 Trading**

Trading practices to customers, must have a fair and reasonable allocation system. Trading encompasses fiduciary obligations, best execution, soft dollar and other issues. Brookstone provides discretionary asset management services.

#### **Discretionary Trading**

A discretionary account is an account established with pre-approved authority for an IAR to execute transactions without having to ask for specific approval. Discretion is the authority to decide:

- a. What security
- b. The number of shares or units
- c. Whether to buy or sell

Brookstone will obtain prior, written authority from the client in the advisory agreement granting discretionary authority.

Discretionary accounts will also be subject to the following:

- a. If a trade is executed on a discretionary basis, the representative placing the trade will identify the trade as a discretionary trade at the time the trade is entered for execution.
- b. A record must be kept of all transactions
- c. No excessive trading may occur in the account, relative to the size of the account and the client's investment objectives.

### **12.2 Idle Cash**

Regulators believe that an advisor has a duty to earn the best possible return for a client consistent with the client's investment objectives. This duty applies to both advisors who have custody of client assets and those who do not. Included in this duty is an obligation to invest any idle cash in the client's account. Cash balances that remain idle and uninvested for significant periods, particularly without the client's knowledge and consent, will serve as a "red flag" for examiners as an indication of a possible breach of fiduciary duty.

By investing idle cash balances, Brookstone is expected to use the same degree of prudence he/she would employ with client assets. In certain circumstances, advisors have been permitted to invest idle cash in affiliated money market funds; however, for accounts subject to ERISA, investments in affiliated funds may constitute prohibited transactions unless certain procedures are followed.



### 12.3 *Trading Errors*

As fiduciaries, investment advisors are required to put their clients' interests ahead of their own. This duty is especially evident when it comes to correcting errors made in placing trades for client accounts. All trade errors will be recorded on the Trade Error Form and submitted to the CCO for review.

#### **Brookstone Trading Errors Policy**

For purposes of these procedures, the term "trade error" shall mean any unintentional mistake directly related to a client's account that is the responsibility of Brookstone and/or its employees. Errors could also include compensating a client for any loss on an error, as well as, lost investment opportunity in some circumstances. Examples of trade errors include trading in the wrong account, buying or selling the wrong security, entering the wrong price, the wrong number of shares on a trade ticket, or misallocating a grouped order.

- a. Upon becoming aware of a trade error, the advisory representative shall immediately notify the CCO. The CCO shall be responsible for correcting all trade errors on behalf of Brookstone and shall maintain a log of all trade errors. The CCO shall review, on a quarterly basis, the log of trade errors to determine whether any patterns of trade errors exist.
- b. Brookstone shall resolve any trade errors in client accounts so that the client is made "whole". Accordingly, Brookstone shall be responsible for all costs and expenses incurred in reversing the trade and for all measurable damages incurred by the client in connection with the trade error.
- c. client assets shall not be utilized for purposes of correcting trade errors. Soft dollars **may not** be used to pay for correcting an advisor's trading error(s).
- d. Unless good cause exists, the CCO shall take action to correct all trade errors in accordance with these procedures within two business days following the discovery of such trade errors. When appropriate, the CCO, or designee, shall be responsible for notifying the client about the trade error.

### 12.4 *Trading Allocation Procedures*

An investment advisor may not allocate trades, in such a way, that their own or affiliated account(s) receive more favorable treatment than Brookstone's client accounts. Allocation procedures will be fair and equitable to all client types with no group being favored or disfavored over any other group.

- a. **General Prohibitions on Trading.** Brookstone and all persons associated with Brookstone are prohibited from:
  - i. Employing any device, scheme or artifice to defraud any client or prospective client;
  - ii. Engaging in any transaction, practice or course of business that operates as fraud or deceit upon any client or prospective client;
  - iii. Engaging in any act, practice or course of business that is fraudulent, deceptive or manipulative;
  - iv. Directly or indirectly acquiring any beneficial interest in securities of an initial public offering or private placement in which Brookstone is allocated shares, without the prior written consent from the CCO;
  - v. Acting as a principal for its own account; or
  - vi. Knowingly selling or buying any security from an advisory client.
- b. **Compliance with SEC Rule 3a-4 (applicable to state advisors).**

There may be certain circumstances when the management by an investment advisor of client assets in model portfolios could cause the investment advisor to fall under the definition of "Investment Company" under the Investment Company Act of 1940. In order to avoid this classification and for purposes of satisfying the safe harbor from the definition of "investment company" set forth in Rule 3a-4 of the Investment Company Act of 1940, Brookstone and its employees shall comply with the following requirements:

  - i. Each client account shall be managed on the basis of that client's individual financial situation, investment objectives and instructions;
  - ii. The advisory representatives shall obtain information from each client that is necessary to manage the client's account individually;

- iii. The advisory representatives shall be available to consult with clients about their personal circumstances and portfolios;
- iv. Each client shall have the ability to impose reasonable restrictions on the management of their account;
- v. Each client shall be provided with a quarterly statement containing a description of all activity in the client's account;
- vi. Each client shall retain the indicia of ownership of all securities and funds in the account;
- vii. In the event that a third party is designated to perform certain obligations set forth in these procedures, then Brookstone shall obtain, from that third party, a written agreement to perform those services;
- viii. Brookstone shall preserve and maintain the policies, procedures, agreements and other documents relating to its investment advisory operations; and
- ix. Brookstone shall furnish to the appropriate securities division, upon demand, copies of all specified documents.

### **12.5 Aggregation of Orders**

Until recently, there have been conflicts and restrictions for aggregating orders of various client types, such as individuals, ERISA plans, investment companies, with the orders on behalf of accounts advised by the investment advisor in which Brookstone, their employees and principals have economic interests ("proprietary accounts"). All clients participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rata basis.

The SEC granted no-action relief based on several conditions as outlined below:

- a. Brookstone's policies for the aggregation of transactions shall be fully disclosed in the firm's Form ADV Part 2A and separately to Brookstone's existing clients and the broker-dealer through which such orders are placed;
- b. Brookstone will not aggregate transactions unless aggregation is consistent with its duty to seek best execution and the terms of firm's investment advisory agreement with each client for which trades are being aggregated;
- c. no advisory client will be favored over another client; each client that participates in an aggregated order will participate at the average share price for all Brookstone's transactions in that security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction;
- d. Brookstone will prepare, before entering an aggregated order, a written statement ("Allocation Statement") specifying the participating client accounts and how it intends to allocate the order among those clients;
- e. if the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement; if the order is partially filled, it will be allocated pro-rata based on the Allocation Statement;
- f. notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for different allocation is explained in writing and is approved in writing by Brookstone's CCO, no later than one hour after the opening of the markets, on the trading day following the day the order was executed;
- g. Brookstone's books and records will separately reflect, for each client account, the orders of which are aggregated, the securities held by, and bought and sold for that account;
- h. funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the client's cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as feasible, following the settlement;
- i. Brookstone will receive no additional compensation of any kind as a result of the proposed aggregation; and
- j. individual investment advice and treatment will be accorded to each advisory client.

Periodic reviews will be conducted to ensure no accounts are being systematically disadvantaged.

Brookstone may choose not to aggregate proprietary accounts with those clients, in which case, disclosure of that fact will be made in Brookstone's Form ADV Part 2 along with the potential consequences of not aggregating proprietary and client accounts in an order.

### **12.6 Best Execution**

As part of its obligation of best execution, an advisor must avoid "interpositioning", or placing a client transaction through a broker-dealer (for a commission) which then, in turn, places the order with a market maker (for which a mark-up/down is charged), when the order could be placed directly with the market maker for no disclosed brokerage commission and with no loss of service.

Investment advisors who manage or supervise client portfolios have a fiduciary obligation of best execution. In essence, an advisor is required to execute securities transactions for clients in a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances. When evaluating brokers, Brookstone is obligated to weigh such factors as the value of research provided, the commission rates charged, the ability to negotiate commissions, the ability to obtain volume discounts, execution capability, financial responsibility and responsiveness to the investment advisor. Furthermore, an advisor will periodically and systematically evaluate the performance of broker-dealers executing its client's transactions.

Typically, to achieve best execution, an advisor may "bunch" or block client orders. If bunch trading is not available, Brookstone is required to disclose to clients that it will not bunch transactions and the fact that clients may pay higher commissions as a result.

When utilizing mutual funds, Brookstone will make every effort to choose the lowest share class available on the platform. Typically, this will consist of institutional share class funds. Periodically, accounts will be checked at random to ensure the lowest share class available is being purchased.

Brookstone is responsible for reviewing its best execution responsibilities when directing brokerage to any broker-dealer, including affiliates, and in determining commission discounts and disclosing any conflict of interest inherent in this direction.

### **12.7 Direct Brokerage**

Brookstone does not allow clients to direct brokerage.

### **12.8 Soft Dollars**

Soft dollar practices are defined as arrangements under which products or services, other than execution of securities transactions, are obtained by an investment advisor from or through a broker-dealer in exchange for the direction by Brookstone of client brokerage transactions to the broker-dealer.

Brookstone utilizes the services of custodial broker-dealers. Economic benefits are received by Brookstone which would not be received if Brookstone did not give investment advice to clients. These benefits may include a dedicated trading desk, a dedicated service group and an account services manager dedicated to Brookstone's accounts, ability to conduct "block" client trades, electronic download of trades, balances and positions, duplicate and batched client statements, and the ability to have advisory fees directly deducted from client accounts.

### **12.9 Principal Trading and Agency Cross Transactions**

Brookstone does not engage in any principal or agency cross transactions.

### **12.10 Supporting Client Documentation**

Brookstone shall obtain and maintain supporting client documentation for each client relationship and to keep the documentation accurate and current including client financial background and objectives.

In addition to receiving its disclosure information, Brookstone is required to obtain, from each new client, important information needed to establish an investment advisory relationship. Advisory personnel will be familiar with the client documents required by Brookstone and be careful that all necessary information is obtained, where applicable, verified with supporting documents, such as trust

agreements, discretionary agreements, and power of attorney forms. Of primary importance is information regarding financial needs, investment objectives, risk tolerance and additional suitability information.

Each advisory agreement must be accompanied by a completed client information document/questionnaire. A copy of the document shall be maintained in each client file. IARs shall periodically contact the clients for purposes of determining whether any information provided by the client has materially changed.

### **12.11 Selection of Other Advisors/Managers**

Prior to entering into an agreement with another advisor for asset management services, Brookstone will conduct a full due diligence investigation into the advisor and their business practices. The CCO is responsible for conducting and documenting the initial and annual due diligence review of each advisor. The due diligence investigation of another advisor will include the following:

- a. Verify the advisor and its associates are properly registered as an investment advisor and IARs; ensure they are registered in the states that you conduct business (notice filed for SEC registered firms).
- b. Review the advisors Form ADV1 and ADV2, disclosure brochures, marketing material, and client agreements.
- c. Conduct an IAPD check of the money manager(s).
- d. If the advisor has a pre-determined minimum amount for assets under management, verify that Brookstone meets this requirement.
- e. Verify that the advisor and/or money managers maintain error and omissions insurance, fidelity bond and/or an ERISA fiduciary bond, if applicable.
- f. Review Form U4 disclosures of advisor's officers, directors and portfolio managers to analyze any reported regulatory actions, criminal actions, civil actions, customer complaints, arbitrations and financial disclosures.
- g. Review the money manager's past performance and measure that performance against various indexes.
- h. Request the Business Continuity Plan.

## **13. WRAP FEES**

Brookstone does not sponsor a wrap fee program.

## **14. FINANCIAL PLANNING**

### **14.1 Policy**

Brookstone requires all financial planning activities conducted by the IAR for compensation be conducted through Brookstone. By its general nature, financial planning is a broad term that may or may not include advice on securities. Financial planning activities may be offered by Brookstone to customers or prospective customers, based on the customer's needs and desires.

### **14.2 Procedure**

#### ***Required Agreements***

Prior to entering into a relationship with a client to provide financial planning services, Brookstone is required to enter into a financial planning agreement using the standard form supplied by Brookstone. A copy of any agreement entered into by a customer for financial planning services are required to be provided to Brookstone's Operations Department.

#### ***Billing for Financial Planning Services***

All financial planning fees are to be paid directly to Brookstone. Payment may not be made payable to any individual representative of Brookstone.

### ***Duties in Providing Financial Planning Services***

Brookstone is responsible for conducting financial planning activities in a manner that is consistent with requirements as a fiduciary. Under no circumstances may Brookstone:

- a. employ any device, scheme, or artifice to defraud a customer or prospective customer
- b. engage in any practice, transaction, or course of business, which defrauds or deceives a customer or prospective customer
- c. engage in fraudulent, manipulative, or deceptive practices

In meeting such requirements, Brookstone has:

- a. a duty to have a reasonable, independent basis for its investment advice
- b. a duty to ensure that its investment advice is suitable to the client's objectives, needs and circumstances
- c. a duty to be loyal to clients.

## **15. ERISA MATTERS**

Investment advisors have special fiduciary responsibilities under the Employee Retirement Income Security Act of 1974 (ERISA).

Brookstone acts as an investment manager for advisory clients that are governed by ERISA. As a fiduciary with special responsibilities under ERISA, Brookstone will closely monitor its duties to its ERISA clients and consult with ERISA counsel, as may be appropriate.

These responsibilities are not governed solely by the SEC or state regulators, but include the U.S. Department of Labor's rules for ERISA accounts. Typically, an employee benefit plan is covered by ERISA unless it is (1) an individual retirement account or annuity established by an individual employee to which his/her employer does not contribute; (2) a plan which covers only the sole owner of a business (incorporated or unincorporated) and/or his/her spouse; (3) a partnership pension plan which covers only partners and their spouses; or (4) a governmental plan. ERISA accounts include those established by pension plans, profit sharing and 401(k) plans and their trusts.

Under ERISA section 404(a)(1), plan fiduciaries, including persons to whom named fiduciaries delegate certain fiduciary responsibilities, such as investment managers, must discharge their duties solely in the interest of the participants and beneficiaries and,

- a. for the exclusive purpose of providing benefits and defraying reasonable administrative expenses;
- b. with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims (the prudent man rule);
- c. by diversifying plan investments so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
- d. in accordance with the documents and instruments governing the plan insofar as such documents and instruments are consistent with the provisions of Title I of ERISA.

**ERISA Bonds:** Investment advisors are required to be bonded if they manage any ERISA accounts(3(38)), unless the agreement includes a provision that the investment advisor be included as a named fiduciary on the Plan document, and that a rider be attached to the bond adding the investment advisor as a named fiduciary. Proof of ERISA bonding is recommended.

**Plan and Trust Documents:** A copy of the plan document and the plan trust document will be obtained for ERISA clients. It may be acceptable to obtain only those relevant pages of these documents which apply to the relationship between the plan and Brookstone (these pages would include, but are not limited to: authority to appoint an investment manager, proxy voting responsibilities, ERISA bonding, investment policy guidelines, cash requirements, contribution and disbursement requirements, restrictions on securities, restrictions on percentage allocations, meeting schedules and reports required to be issued by Brookstone).

## 16. CUSTODY

### 16.1 Policy

Brookstone is deemed to have custody of client assets when it holds “directly or indirectly client funds or securities or has any authority to obtain possession of them”. Examples under which an advisor has custody include:

- a. Advisor has custody when it has possession of client funds or securities even briefly. An advisor that holds clients’ stock certificates or checks, even temporarily, and puts those assets at risk or misuse or loss. Excluded from this is inadvertent receipt by Advisor of client funds or securities, so long as Advisor returns them to the sender within three business days of receiving them. The rule does not permit Advisor to forward clients’ funds and securities without having “custody” although Advisor may certainly assist clients in such matters. Custody does not include the receipt of checks drawn by clients and made payable to unrelated third parties and shall not meet the definition of custody if forwarded to the third party by close of business on the first business day after the date of receipt by the investment adviser.
- b. Advisor has custody if it has the authority to withdraw funds or securities from a customer’s account. If an advisor has power of attorney to sign checks on a client’s behalf to withdraw funds or securities from a client account, or to dispose of client funds or securities for any purpose other than authorized trading; then Brookstone has custody of the client’s assets. Similarly, if an advisor is authorized to deduct advisory fees or other expenses directly from a client’s account the firm has access to, and therefore custody of, the client funds and securities in that account.
- c. Advisor has custody if it acts in any capacity that gives Brookstone legal ownership of, or access to, the client funds or securities. One common instance is a firm that acts as both general partner and investment advisor to a limited partnership. By virtue of its position as general partner, Brookstone generally has authority to dispose of funds and securities in the limited partnership’s account and thus has custody of the client’s assets.
- d. Advisor acts pursuant to a standing letter of authorization (“SLOA”) or other similar asset transfer authorization arrangement established with a client and a qualified custodian. An SLOA arrangement where an advisor does not have discretion as to the amount, payee, and timing of transfers under an SLOA would not implicate the custody rule.
- e. Brookstone is be deemed to have custody where Brookstone is paid from client funds upon presentation of a bill to the custodian of the client’s account. The state requires advisors that have custody maintain client funds and securities with a broker-dealer, bank or other qualified custodian. All custodian’s Brookstone works with are “qualified custodians.”

In addition, separate books and records are required when an advisor has custody.

### 16.2 Procedures

Brookstone is deemed to have custody solely due to the deduction of management fees from client accounts. For purposes of complying with the Advisors Act custody rules, the following procedures shall be applicable:

**Payment of Fees.** Pursuant to its existing investment advisory programs, Brookstone’s fees are generally paid from client funds upon presentation of a bill to the custodian of the client’s account. Brookstone shall undertake the following procedures:

- a. Brookstone shall disclose to the client on the quarterly statement that it is the client’s responsibility to verify the accuracy of the fee calculation and that the custodian will not determine whether the fee was properly calculated;
- b. Brookstone shall send a bill to the custodian indicating only the amount of the fee to be paid by the custodian;
- c. The client shall authorize Brookstone in the investment management agreement or otherwise in writing to receive fees directly from the client’s account being held by the custodian; and
- d. The custodian shall agree to send the client, at least quarterly, a statement indicating all amounts disbursed from the account.

## **17. PRIVACY POLICY**

### **17.1 Policy**

As a matter of policy, Brookstone and our affiliated persons comply with regulations which requires registered advisers to adopt policies and procedures to protect the “nonpublic personal information” of natural person consumers and customers, and to disclose to such persons Brookstone’s policies and procedures adopted to protect that information.

Nonpublic personal information includes nonpublic “personally identifiable financial information” plus any list, description or grouping of customers that is derived from nonpublic personally identifiable financial information. Such information may include personal financial and account information, advice or other services provided by Brookstone or its affiliates, and data or analyses derived from such nonpublic personal information.

### **17.2 Procedures**

#### ***Notices to Clients***

- a. Brookstone will deliver an initial privacy policy notice before, or at the time, the client relationship is established.
- b. Brookstone will deliver our privacy policy notice to clients on an annual basis. Verification of delivery will be documented in a spreadsheet with the date, manner of delivery and client name to whom the notice was sent.

#### ***Safeguarding Client Information***

Brookstone will employ the following safeguards in order to make a reasonable effort to safeguard client information:

- a. Require new and existing employees to review and provide written acknowledgement of Brookstone’s Compliance Manual including the privacy policy.
- b. Prohibit employees from providing client information over the telephone or via email unless the employee has identified the recipient as the client, an authorized representative of the client, or an authorized agent of the client.
- c. Limit access to client personal information by safeguarding and securing client Records.
  - i. Brookstone’s office(s) will be locked during non-business hours.
  - ii. Hard copy records will be maintained in a locked file cabinet or file room.
- d. Use appropriate security measures for computers and networks such as password and firewalls.
- e. Use a shredding machine, locks, or other physical security measures.
- f. Engage a third party provider only after the provider has agreed to adhere to these same security and privacy standards.

Brookstone has implemented the following policies and procedures for our Identity Theft Prevention Program.

Brookstone has identified the following as “red flags”:

- a. The photo or physical description on the ID is not consistent with the appearance of the customer. Information on the ID is inconsistent with the information provided by the customer.
- b. Alerts issued from regulatory bodies and/or law enforcement.
- c. An application appears to have been altered or forged.
- d. Suspicious activity on an account, such as electronic bank transfers to third party or requests for account information from an unknown source.

To help identify red flags, the following procedures will be followed:

- a. The staff will be trained to look carefully at IDs to determine whether or not the individual in the photo looks like the client; or whether or not the address provided by the client matches the one listed on the ID.
- b. Client names will be compared to lists provided by regulatory bodies and/or law enforcement (such as OFAC list).

- c. The staff will be trained to look at all applications for possible alterations.
- d. Verification of identification will be required to help ensure that all requests are authentic and not fraudulent.

When a red flag has been identified, we will respond by executing the appropriate measure(s) described below:

- a. A second form of ID will be required before proceeding if the initial ID is suspect. If none is provided, the process is halted.
- b. The acting regulatory body will be contacted regarding suspicious activity.
- c. Information is reviewed and any fraudulent looking documentation will be reviewed and completed appropriately.
- d. If the client cannot provide proper information to verify identification, the transaction will not be completed.

This program will be and administered by Brookstone's CCO. The staff will remain vigilant and research new regulations on an annual basis and update the policies and procedures accordingly.

## **18. CYBERSECURITY**

### **18.1 Policy**

Brookstone's cybersecurity policy, in conjunction with our firm's Privacy Policy, recognizes the critical importance of safeguarding client's personal information as well as the confidential and proprietary information of Brookstone and its employees. Maintaining the security, integrity and accessibility of the data maintained or conveyed through Brookstone's operating systems is a fundamental requisite of our business operations and an important component of our fiduciary duty to our clients. While recognizing that the very nature of cybercrime is constantly evolving, Brookstone conducts periodic vulnerability assessments based on our firms use of technology, third-party vendor relationships, reported changes in cybercrime methodologies, and in response to any attempted cyber incident, among other circumstances.

Protecting all the assets of our clients and safeguarding the proprietary and confidential information of Brookstone and its employees is a fundamental responsibility of every employee, and repeated or serious violations of these policies may result in disciplinary action, including, for example, restricted permissions or prohibitions limiting remote access, restrictions on the use of mobile devices, and/or termination.

### **18.2 Procedures**

#### ***Periodic Risk Assessment and Inventory***

A thorough analysis of all information networks and systems will be conducted on a periodic basis to document the threats and vulnerabilities to stored and transmitted information. The analysis will examine the types of threats – internal or external, natural or manmade, electronic and non-electronic - that affect the ability to manage the information resource. The analysis will also include an evaluation of the information assets and the technology associated with its collection, storage, dissemination and protection.

From the combination of threats, vulnerabilities, and asset values, an estimate of the risks to the confidentiality, integrity and availability of the information will be determined. The frequency of the risk analysis and testing will be determined by the CCO.

Based on the periodic assessment, measures will be implemented that reduce the impact of the threats by reducing the amount and scope of the vulnerabilities.

The periodic assessment may include review of:

- a. physical devices and systems
- b. software platforms and applications
- c. Brookstone's networks and associated connections and logging capabilities (both on-site and remote)
- d. possible risks from terminated or disgruntled employees



- e. methods of encryption.

From time to time, Brookstone may utilize the services of third-party vendors to assist the firm in assessing risks and vulnerabilities of its information technology architecture. Such services may include vulnerability and penetration analysis exercises pursuant to best industry practices and/or as recommended by the selected vendor.

### ***Information Systems and Controls***

All involved systems and information are assets of Adviser and are expected to be protected from misuse, theft, unauthorized manipulation, and destruction. These protection measures may be physical and/or software based.

- a. **Ownership of Software:** All computer software developed by or licensed for use is the property of Brookstone and must not be copied for use at home or any other location, unless otherwise specified by the license agreement.
- b. **Installed Software:** All software packages that reside on computers, laptops, tablets, smartphones within Brookstone must comply with applicable licensing agreements and restrictions and must comply with software policies. These will also be updated periodically with the most recent updates.
- c. **Virus Protection:** Virus protection and anti-malware software, as well as most current security patch updates approved by the CCO is installed on all devices (desktops, servers, gateways, etc.) to ensure all electronic files are appropriately scanned for viruses. These scans are constantly running providing real-time virus detection. Users are not authorized to turn off or disable virus checking systems. All such software applications and patches will be installed either during regularly scheduled system maintenance or as they become available from their respective vendors. Antivirus software will be checked automatically for updates.
- d. **Access Controls:** Physical and electronic access to private, confidential and internal information and computing resources is controlled. To ensure appropriate levels of access by internal employees, a variety of security measures will be instituted as recommended by the CCO. Mechanisms to control access to such information may include, but not limited to, the following methods:
  - i. **Authorization:** Access will be granted on a “need to know” basis and must be authorized by the CCO.
  - ii. **Identification/Authentication:** Unique user identification and authentication is required for all systems that maintain or access private, confidential or internal information. Users will be held accountable for all actions performed on the system with their user id.
    - Adviser requires strictly controlled passwords on all devices to conduct business and access to client data.
    - The user must secure his/her authentication control (e.g. password) such that it is known only to that user and possibly the CCO.
    - Automatic timeout re-authentication may be required after a certain period of no activity.
    - Automatic password disabling and resetting procedures will be deployed after a certain number of unsuccessful log-in attempts.
    - Resetting of passwords will be required on a quarterly basis on all firm-owned equipment.
    - The user must log off or secure the system when leaving it for an extended period of time.
  - iii. **Transmission Security:** Technical security mechanisms will be put in place to guard against unauthorized access to data that is transmitted over a communications network, including wireless networks. Data encryption techniques will be deployed, where deemed appropriate and feasible.
  - iv. **Remote Access:** Access into Brookstone’s network from outside will be granted using approved devices and pathways on an individual user and application basis. All other network access options are strictly prohibited. Further, private, confidential and/or internal information that is stored or accessed remotely must maintain the same level of

protections as information stored and accessed within Brookstone's network. Employees may utilize the benefits of VPNs, which are a "user managed" service.

- It is the responsibility of employees with VPN privileges to ensure that unauthorized users are not allowed access to firm's internal networks.
  - VPN use is to be controlled using a one-time password authentication with a strong passphrase.
  - When actively connected to the corporate network, VPNs will force all traffic to and from the PC over the VPN tunnel: all other traffic will be dropped.
  - All computers connected to Brookstone's internal networks via VPN or any other technology must use the most up-to-date anti-virus software.
  - By using VPN technology with personal equipment, users must understand that their machines are a de facto extension of Brookstone's network, and as such are subject to the same rules and regulations that apply to firm-owned equipment.
- v. Physical Access: Access to areas in which information processing is carried out must be restricted to only appropriately authorized individuals. The following physical controls will be implemented:
- File servers containing private, confidential and/or internal information must be installed in a secure area to prevent theft, destruction, or access by unauthorized individuals.
  - All workstations or personal computers must be secured against use by unauthorized individuals with the use of automatic screen savers with passwords to protect unattended machines.
- e. Other Media Controls:
- i. Employees are prohibited from storing private, confidential and/or internal information on external media (CDs, portable storage, flash drives, etc.) without prior approval by the CCO. If the use of such media is necessary and is approved, information thus stored must be protected from theft and unauthorized access, appropriately labeled and must never be left unattended in unsecured areas.
  - ii. Employees are strongly discouraged from storing private and confidential information on mobile computing devices. In any event, such information must never be stored on mobile computing devices (e.g. laptops, personal digital assistants (PDA), smart phones, tablet PC's, etc.) unless the devices have the following minimum-security requirements implemented:
    - Power-on passwords
    - Auto logoff or screen saver with passwordFurther, mobile computing devices must never be left unattended in unsecured areas.
  - iii. Equipment and Media Controls: The disposal of equipment and information must ensure the continued protection of private, confidential and internal information. Consequently, all types of media, including physical, magnetic and electronic must be disposed in a secured fashion, either by verified destruction on-site or through a reliable third-party vendor.
  - iv. Brookstone will advise clients to transmit data via secured means (e.g. Virtru)
  - v. For any instructions received via electronic communication, BROOKSTONE will call the client to confirm verbally the instructions.

### ***Contingency Plan***

Brookstone has established controls that allow it to recover from damage to computer equipment or files within a reasonable period of time due to a system emergency or other occurrence (e.g., fire, vandalism, system failure and natural disaster) that damages systems that contain private, confidential and/or internal information. Policies and procedures have been developed to address the following:

- a. Data Backup Plan:
  - i. A data backup is run automatically to create and maintain, for a specific period of time, retrievable exact copies of information.
  - ii. Backup data is stored in a secure location on a protected separate device.

- iii. Backup data is afforded the same level of protection as the original data.
- b. Disaster Recovery Plan: A disaster recovery plan has been developed and documented which contains a process enabling the entity to restore any loss of data in the event of fire, vandalism, natural disaster, or system failure.

### ***Service Provider Management***

If not managed effectively, the use of third-party service providers may expose Brookstone to certain cybersecurity threats. Consequently, Brookstone has implemented the following risk-management policies and procedures when sharing private, confidential and/or internal information with third-party vendors and service providers:

- a. Risk-based vendor due diligence based on vendor type and nature of information shared;
- b. Access restriction controls and segregation of sensitive network resources based on services provided and access needed;
- c. Contractual provisions, whenever possible, requiring third-party service providers to safeguard private, confidential and/or internal information;
- d. Periodic attestations regarding the adequacy and effectiveness of service providers' internal policies and procedures designed to protect data and ensure its integrity and retention.

### ***Reporting and Investigation of Security Incidents***

It is the responsibility of each employee to report actual and perceived security incidents on a continuous basis to their respective manager or directly to the CCO. Reports of security incidents shall be escalated as quickly as possible. Each incident will be analyzed to determine if changes in the existing security structure are necessary. All reported incidents are logged, and the remedial action indicated. It is the responsibility of the CCO to provide training on any procedural changes that may be required as a result of the investigation of an incident. The CCO will determine whether any particular incident warrants contact with state and/or federal law enforcement officials or regulatory agencies.

### ***Employee Training***

It is the responsibility of each employee to comply with this policy and protect private, confidential and/or internal information. Each employee will receive a copy of this policy and sufficient training to understand its overall goals and specific provisions. The CCO has the responsibility for the development and delivery of initial security training. Security training will be provided to all new employees as part of the orientation process. Attendance and/or participation in such training is mandatory for all employees. The CCO is responsible for maintaining appropriate documentation of all training activities.

Additional training may be provided on an as-needed basis, especially in response to newly identified risks, operational changes, new regulatory requirements or firm's experiences with cybersecurity threats.

### ***Data Breach Notification***

If a data breach occurs, Brookstone will:

- a. Assess the nature and scope of the incident, identify what customer information systems and types of customer information have been accessed or misused;
- b. Notify the appropriate regulator, as soon as possible, when Brookstone becomes aware of an incident involving unauthorized access to or use of sensitive customer information;
- c. In situations involving criminal violations requiring immediate attention, such as when a reportable violation is ongoing, promptly notify appropriate law enforcement authorities;
- d. Take appropriate steps to contain and control the incident to prevent further unauthorized access to or use of customer information; and
- e. Notify customers when warranted, in a manner designed to ensure that a customer can reasonably be expected to receive it.

### **Sensitive Information:**

For purposes of this guidance, sensitive customer information means a customer's name, address or telephone number in conjunction with the customer's Social Security number, driver's license number, account number, credit or debit card number, or a personal identification number or password that

would permit access to the customer's account. It also includes any combination of components of customer information that would allow someone to log on to or access the customer's account, such as username and password or password and account number.

#### When Customer Notice Must be Provided

Brookstone will provide notice to its customers whenever it becomes aware of an incident of unauthorized access to customer information and, at the conclusion of a reasonable investigation, determines that misuse of the information has occurred, or it is reasonably possible that misuse will occur.

#### Customer Notice

Customer notice will be given in a clear and conspicuous manner. The notice will include the following items:

- a. Description of the incident;
- b. Type of information subject to unauthorized access;
- c. Measures taken by Brookstone to protect customers from further unauthorized access;
- d. Telephone number customers can call for information and assistance; and
- e. Remind customers to remain vigilant over next twelve to twenty-four months, and report suspected identity
- f. Theft incidents to Brookstone and the appropriate authorities.
- g. Notify the nationwide consumer reporting agencies prior to sending notices to a large number of customers that include contact information for the reporting agencies.

Customer notice will be delivered in a manner designed to ensure that a customer can reasonably be expected to receive it. For example, Brookstone may choose to contact all customers affected by telephone or by mail, or by electronic mail for those customers for whom it has a valid email address and who have agreed and given permission to receive communications electronically.

## **19. SUPERVISION AND INTERNAL CONTROLS**

IARs and "Access Persons" are hired, trained and supervised by the CCO. Brookstone screens new personnel for qualifications and disciplinary history. All persons providing investment advice will be registered in accordance to the registration requirements of their applicable state. All employees will be kept current on any material firm or regulatory changes through internal email and periodic trainings.

Our compliance Chain of Command is:

CHIEF COMPLIANCE OFFICER:	Jermetria Robey
MANAGING MEMBER:	Seth Stewart

Every individual of Brookstone will have a direct supervisor.

Brookstone does maintain branch offices.

### **19.1 Policy**

Brookstone has adopted these written policies and procedures which are designed to set standards and internal controls for the firm, its employees, and its businesses and are also reasonably designed to detect and prevent any violations of regulatory requirements and Brookstone's policies and procedures. Brookstone shall conduct an annual review of our business to prevent violations and to maintain compliance with required regulations. The documentation of the review will maintain the results of the review for our records. Every employee and manager is required to be responsible for and monitor those individuals and departments they supervise to detect, prevent and report any activities inconsistent with Brookstone's procedures, policies, high professional standards or legal/regulatory requirements.

The CCO administers Brookstone's overall compliance program, which includes each of the policies and procedures set forth in this manual. The CCO also is responsible for ensuring that all employees receive initial training and undertake the continuing education necessary to understand and meet applicable requirements of this manual.

## 19.2 Procedures

- a. All personnel will be required to submit new client account applications and applicable paperwork to Brookstone's CCO, or designee, for review and submission to the custodian or other appropriate entity.
- b. All personnel will be required to submit for approval all advertising material prior to using or sending these items to their clients. This includes items such as, but not limited to; letterhead, business cards, seminars, websites, flyers, brochures, power point presentations, radio and print advertising, etc.
- c. Submission and preapproval for the usage of any d/b/a name used by any person or Brookstone.
- d. It is the responsibility of each employee of Brookstone to make available to the CCO copies of all email and/or client correspondence monthly for review. All personnel will be required to use a pre-approved email address that will be monitored by Brookstone's CCO or designee.
- e. Brookstone prohibits texting by all personnel to or from Clients. If a text message is received, the sender will be advised to communicate via phone or email
- f. All personnel are required to immediately report to the CCO, or designee, any and all customer complaints – both verbal and written. This will be followed by further communication including a detailed explanation of the matter from the involved representative.
- g. All personnel will be required to sign annual attestation statements acknowledging that they have read, understand, and agree to abide by the policies, procedures, and ethical business standards of Brookstone.
- h. All IARs are required to keep extensive and complete notes of all client-based conversations and transactions. [To the extent possible, a joint CRM program or system will be used to allow the CCO or designated supervisory personnel to review these notes and verify the details surrounding any client activity or transactions.] These notes must be readily available for review by the CCO or other designated supervisory personnel.
- i. client account reviews will be conducted at least annually and documented. The review may include but is not limited to the following:
  - Individual account level review to monitor and verify ongoing suitability, investment objectives, time horizon and risk tolerance needs are being met.
  - Model portfolio reviews will be conducted to ensure allocations are aligned with the model's objectives.

*(For the purpose of this section a branch office is an office location containing IAR(s) or an RIA, regardless of distance from the advisor's main office (which is the location where the Chief Compliance Officer (CCO) is located and the majority of supervisory activities is conducted)*

Brookstone understands that the branch office locations present their own unique compliance challenges and has implemented the following additional "branch office" compliance policies and procedures:

- a. Since Brookstone's main office is required to maintain books and records for Brookstone, copies of all "hard copy" items must be submitted to the main office in a timely manner. An example of a hard copy item would include, but is not limited to; any client applications or other client paperwork done on paper rather than electronically, etc. (Most hard copy items will be scanned and submitted via email attachment or via file upload whenever possible.)
- b. Brookstone will conduct periodic reviews of branch office client files (maintained by the advisor's main office) to verify that they are complete and that portfolio holdings are suitable and appropriate for the client's investment profile information in the file. (This may be done additionally, concurrently, or separately from the client file review done at Brookstone's main office.)
- c. Adviser and branch office personnel agree to schedule in-office reviews, both announced and un-announced on a periodic basis (no less often than every other year) that will be dictated by Brookstone's CCO, or designee, and based on the branch office's activity level, business model, or other items. These reviews will be conducted by Brookstone's CCO, other designated supervisory personnel, or a third-party compliance consulting firm chosen by the advisor.

Brookstone shall perform an annual risk-based testing program in order to verify the adequacy of its policies and procedures. In developing its program, it will take into account:

- a. New business lines or products
- b. Customer complaints
- c. Regulatory concerns
- d. Past audit findings
- e. Investment advisor misconduct or disclosures
- f. Primary nature and volume of business.

The testing program will not only document findings, but also any remediation implemented because of finding.

Any violations discovered by or reported to the CCO shall be reviewed and investigated promptly, and reported through the CCO to the Supervisor. Such report shall include the corrective action taken and any recommendation for disciplinary action deemed appropriate by the CCO. Such recommendation shall be based on, among other things, the severity of the infraction, whether it is a first or repeat offense, and whether it is part of a pattern of disregard for the letter and intent of this Code of Ethics. The CCO may impose sanctions for violation of the Code of Ethics as deemed appropriate, including, but not limited to:

- a. Letter of censure;
- b. Suspension or termination of employment;
- c. Reversal of a securities trade at the violator's expense and risk, including disgorgement of any profit; and
- d. In serious cases, referral to law enforcement or regulatory authorities.

### ***Gifts, Rebates or Other Payments***

Due to the numerous relationships' Brookstone has with its clients and other entities, employees **may not** solicit gifts or gratuities. Generally, entertainment would include meals, conferences and sponsored outings. The biggest distinguishing factor from a gift and entertainment is whether persons from Brookstone who are irrelevant to the business relationship attend the event. Therefore, if an individual only receives sporting tickets and is unaccompanied by someone connected to Brookstone, that would be considered a gift.

In addition, gifts of an extraordinary or extravagant nature to an employee are to be declined or returned in order to not compromise the reputation of the employee or Brookstone. Gifts of nominal value or those that are customary in the industry such as meals, entertainment, etc. are appropriate, keeping in mind that the individual or firm that is providing the entertainment needs to be present. Otherwise, the entertainment could be classified as excessive.

Company branded merchandise is not considered a gift but would be classified as advertising.

All gifts given to clients or received by employees must be recorded on the Gift Ledger.

Any form of a loan by an employee to a client or by a client to an employee is NOT allowed as a matter of Brookstone's policy and good business practice.

Any questions about gifts, gratuities or other payments to or from employees are to be reviewed by the employee's supervisor and the CCO.

### ***Outside Employment or Other Activities***

Any employment or other outside activity by an IAR may result in possible conflicts of interest for the IAR or for Brookstone and therefore must be reviewed and approved by the CCO prior to undertaking or at time of employment. The IAR must submit the Brookstone Outside Business Activity Form to the CCO. These include such activities as the following:

- a. Being employed or compensated by any other entity
- b. Active in any other business including part-time, evening or weekend employment
- c. Serving as an officer, director, partner, etc. in any other entity
- d. Ownership interest in any non-publicly traded company (e.g. LLC, S-Corp, etc.) or other private investment, or

e. Any public speaking or writing activities

Compensation may include salary, stock options or warrants, referral fees, or providing or discounting of services or products for remuneration. Generally, remuneration consisting of anything of present or future value for services rendered may be considered compensation.

The firm must be made aware of foundation or charitable activities but are generally not filed as an OBA on the Form U-4 unless the associate is being compensated for services in an investment advisory or trustee capacity that the firm believes should be disclosed.

Written approval for any of the above activities is to be obtained by a Supervised Person before undertaking any such activity so that a determination may be made that the activities do not interfere with any of the individual's responsibilities at the firm and any conflicts of interests in such activities may be addressed. An individual seeking approval shall provide the following information to the CCO: (1) the name and address of the outside business organization; (2) a description of the business of the organization; (3) compensation, if any, to be received; (4) a description of the activities to be performed; and (5) the amount of time per month that will be spent on the outside activity.

Records of requests for approval along with the reasons such requests were granted or denied are maintained by the CCO.

Brookstone has an affirmative duty of care, loyalty, honesty, and good faith to act in the best interest of its clients. All supervised persons must refrain from engaging in any activity or having a personal interest that presents a "conflict of interest." A conflict of interest may arise if your personal interest interferes, or appears to interfere, with the interests of Brookstone or its clients. A conflict of interest can arise whenever you take action or have an interest that makes it difficult for you to perform your duties and responsibilities for Brookstone honestly, objectively and effectively.

### ***Investment Advisor Representatives***

Brookstone's CCO, or designee, at least annually, will conduct a review. All findings will require remediation by the IAR within 30 days of the date of the written report. Deficiencies that are not corrected timely may result in disciplinary action for the IAR. Repeat and numerous deficiencies may result in more frequent and unannounced reviews. The following may be included, but is not limited to, a review of the IAR's:

- a. Advertising and Marketing - Determine if all materials in use have been reviewed and approved. Conduct internet searches to detect undisclosed materials, social media, websites and any other web presence.
- b. Anti-Money Laundering - Review controls to ensure proper processes for customer identification and verification, monitoring for suspicious activity, record-keeping and reporting requirements. Ensure adequate monitoring of clients, funds and transfers for money laundering red flags.
- c. Best Execution, Soft Dollars & Directed Brokerage - Review for marketing support, conference trips, due diligence meetings, access to perks, etc. being received directly from custodian, TPM, sub-advisor, etc. and confirm eligibility under 28(e) safe harbor. Ensure procedure of directed brokerage is accurate.
- d. Books and Records - Maintenance of IAR file, complaint file, correspondence file, advertising file, compliance file, trade error blotter, checks and stock receipts blotter and trade blotter.
- e. Code of Ethics & Personal Securities Transactions - Acknowledgement of receipt and adherence to the Code. Timely submission of initial and quarterly transaction reports. Review of gifts and gratuities.
- f. Contracts & Advisory Agreements - Review all advisory agreements in use by IAR for current versions and accurate fee schedules. Review client files for executed agreements.
- g. Custody - Review for any relationships that may result in constructive custody of client funds. Review all accounts with SLOAs.
- h. Disaster Recovery & Business Continuity - Review branch preparedness and recovery for business interruptions.
- i. Email & Electronic Communication - Ensure all email addresses have been disclosed and are monitored. Obtain and review email correspondence from undisclosed addresses.

- j. ERISA – Review client files for ERISA 408(b)-2 disclosures are present.
- k. Insider Trading – Review disclosure of outside accounts. Determine if there are undisclosed accounts or trading. Access to inside information.
- l. Investment Processes, Suitability & Complaints – Review suitability process and method(s) of determination. Determine if suitability was met with any client restrictions or conditions. Review for accurate complaint reporting and undisclosed complaints.
- m. Political Contributions & Pay-To-Play – Review for unapproved or over limit contributions and public plan or government accounts receiving services within two (2) years of campaign contributions.
- n. Principal Trading – Review trade blotter compared to personal transaction reports of branch personnel.
- o. Privacy, Cybersecurity & Regulation S-ID – Review security controls and access. Maintenance and dissemination of non-public private client information.
- p. Proxy Voting – Review votes cast for compliance with proxy voting guidelines.
- q. Outside Business Activities – Review accuracy of duties of approved OBAs. Conduct web search for undisclosed activities and DBAs.
- r. Registration & Regulatory Reporting – Review for undisclosed events such as bankruptcy, compromises with creditors, tax liens, civil judgments, client complaints, felony charges or convictions, certain misdemeanor charges or convictions, and regulatory fines/sanctions.
- s. Referral Agreements – Ensure referral agreement and client disclosure are being executed and delivered.
- t. Trading Practices – Review accurate recording of activity to include trade tickets and blotters, trade errors and fees.
- u. Client Files – Ensure all required documentation is present including executed agreements, evidence of document delivery and applicable application documentation.
- v. Valuation of Securities & Fee Calculations – Review custodial pricing against any independent third-party source Identify any securities not priced by custodians and obtain multiple pricing sources.
- w. Seniors & Vulnerable Adults - Review protection of Senior Safe/Elder Abuse red flags. Review processes and any trusted contact information.

### ***Money Laundering***

As of May 2013, investment advisors have not been identified as entities that must comply with the Anti-money Laundering (“AML”) regulations.

It is the policy of Brookstone to prohibit and actively prevent money laundering and any activity that facilitates money laundering or the funding of terrorist or criminal activities. Money laundering is generally defined as engaging in acts designed to conceal or disguise the true origins of criminally derived proceeds so that the unlawful proceeds appear to have derived from legitimate origins or constitute legitimate assets. Reasonable procedures will be implemented to prevent, detect, and report any possible money laundering activities to the appropriate authorities.

The CCO is familiar with requirements pertaining to AML. The CCO, or designee, is responsible for investigating any “red flags” thoroughly. Specifically, monitoring for the following:

- a. Activity inconsistent with a client’s business or background;
- b. Refusal or delays in provided requested documents or client information;
- c. Transactions inconsistent with a client’s financial background;
- d. Lack of client interest in investment risks, commission charges, or performance;
- e. Client questions about regulatory reporting requirements;
- f. Frequent large purchases or movement of funds;
- g. Frequent deposits or withdrawals of funds; and
- h. Transactions in cash or checks just under \$10,000.

Brookstone gathers information for all accounts for the Customer Identification Program (“CIP”). The information includes: client’s name, address, date of birth, telephone number, description of client’s primary business, social security number or tax identification number and copy of government-



issued document such as driver's license, passport or other similar document. Brookstone shall keep for five years after the closure of a customer's account all information collected during account opening and a record of all verification steps (if any) that have been taken with respect to a customer.

Brookstone has written policies and procedures designed to set standards for the firm and its employees that are reasonably designed to detect and prevent any violations of regulatory requirements and Brookstone's policies and procedures. Every employee is required to be responsible for and monitor those individuals and departments they supervise to detect, prevent, and report any activities inconsistent with Brookstone's policies, procedures, and high professional standards.

Should Brookstone be obligated to run the CIP information against the SDN Search based on the custodial agreement, Brookstone will run the client information provided by the Office of Foreign Assets Control at <http://sdnsearch.ofac.treas.gov/>.

If a true match of the client is determined to have occurred, the CCO will call the OFAC Hotline at 1-800-540-6322 and notify the custodian of the suspicious activity.

### ***Regulatory Visits and Press Inquiries***

In the event an individual from any federal, state, or self-regulatory organization either contacts Brookstone in writing, by telephone, or arrives for an inspection of Brookstone's place of business, the CCO must be notified immediately.

In the event of any inquiry from any member of the press, any and all such inquiries must be referred to our CCO immediately.

## **20. PROXY VOTING POLICY**

Without exception, Brookstone does not vote proxies on behalf of clients. All proxy materials received on behalf of a client account are to be sent directly to our client or a designated representative of the client, who is responsible for voting the proxy. Brookstone personnel may answer client questions regarding proxy-voting matters in an effort to assist the client in determining how to vote the proxy. However, the final decision of how to vote the proxy rests with the client.

## **21. REPORTING VIOLATIONS AND WHISTLEBLOWER POLICY**

Brookstone is committed to high standards of ethical, moral and legal business conduct. In line with this commitment, and Brookstone's commitment to open communication, this policy aims to provide an avenue for both Associates and Brookstone's employees to raise concerns and reassurance that they will be protected from reprisals or victimization for whistleblowing. This policy is intended to cover protections for you if you raise concerns regarding Brookstone, such as:

- a. Incorrect financial reporting;
- b. Unlawful activity;
- c. Activities that are not in line with Brookstone's policy, including the Policy on Ethics; or
- d. Activities, which otherwise amount to serious improper conduct.

Brookstone's Policy on Ethics requires Associates to report instances of misconduct to Brookstone. Brookstone offers several ways to report misconduct. Associates are encouraged to discuss such issues with their immediate supervisor. If circumstances warrant further action, or if a discussion with a supervisor would not be appropriate under the circumstances, Associates should contact the CCO. Alternatively, more serious violations of securities laws and regulations will also be reported directly to Brookstone's primary regulators, via the tip links on the front pages of their websites, as follows:

### ***State Specific Information***

#### **Indiana**

- <https://securities.sos.in.gov/general-information/file-a-complaint/>
- Phone: 800-223-8791

#### **Kentucky**

- [http://kfi.ky.gov/newstatic\\_Info.aspx?static\\_ID=347](http://kfi.ky.gov/newstatic_Info.aspx?static_ID=347)
- Phone: 502-782-9055

**Louisiana**

- <http://www.ofi.state.la.us/Securities%20Complaint%20Front.htm>
- Phone: 877-516-3653

Anyone reporting misconduct in good faith will be protected against retaliation.

## **22. SENIOR SAFE ACT, FINANCIAL EXPLOITATION, DIMINISHED CAPACITY**

### **22.1 Policy**

As a registered investment adviser, Brookstone, as a part of its fiduciary duty to its clients and as a matter of best business practices, has adopted this policy regarding senior investors. These policies are designed to offer extra protection to senior investors including annual investment adviser trainings, creating detailed disclosures, annual reviews of senior accounts, and maintaining vigilance over suspected diminished capacity and senior abuse.

### **22.2 Procedure**

#### ***Financial Exploitation***

Brookstone is committed to reporting guidelines regarding elder abuse, vulnerable or other “Qualified” adults, and/or Senior Safe provisions. This includes a natural person age 65 and older and an adult of any age who has a mental or physical impairment that renders the individual unable to protect their own interests. All IARs, employees, “Access Persons” or other affiliated individuals, collectively referred to as “reporters” shall adhere to the protection and protocols as outlined. This protection standard may include, but is not limited to, training and adherence to the following areas:

- a. Possible Signs of Financial Abuse of Older Adults
  - i. Frequent large withdrawals
  - ii. Debit transactions that are not normal for an older adult
  - iii. Uncharacteristic attempts to wire large sums of money
  - iv. Closing of accounts without regard to penalties
  - v. A caregiver or other individual showing interest in the older adult’s finances or assets
  - vi. An individual not allowing the older adult to speak for him/herself
  - vii. A caregiver not willing to allow the older adult to have a conversation alone
  - viii. The older adult shows unusual degree of fear or submissiveness toward a caregiver
  - ix. The older adult expresses fear of eviction or nursing home placement if money is not given to the caretaker
  - x. The financial institution is unable to speak directly with the older adult, despite repeated attempts to contact the person
  - xi. A new family member, caretaker, or friend suddenly begins conducting financial transactions on behalf of the older adult without proper documentation
  - xii. The older adult abandons current relationship in exchange for new “friends”
  - xiii. A sudden change in the elder’s financial management, such as a new power of attorney or a new family member or individual, and
  - xiv. The older adult lacks knowledge about their financial status or shows a reluctance to discuss financial matters.
- b. Reporting Possible Signs of Financial Abuse of Older Adults
  - i. Report any abuse immediately to CCO.
  - ii. CCO will investigate and if needed report to the proper authority as follows:

#### ***State Specific Information***

##### **Indiana**

In the State of Indiana reporting is mandated per code IC 23-19-4.1 §5 and 6 for individuals associated with a broker-dealer or investment adviser who serves in a supervisory, compliance, or legal capacity

as part of the individual's job. To file a report if there is reason to believe that financial exploitation of a financially vulnerable adult has occurred, has been attempted, or is being attempted contact the Indiana Securities Division by phone at 1-317-232-6681, by email at senior [protection@sos.gov](mailto:protection@sos.gov) or via mail to Noelle Sykes, Chief Deputy Securities Commissioner, Indiana Secretary of State, Securities Division, 302 W. Washington Street, Room E-111, Indianapolis, IN 46204.

A qualified individual at a Broker-Dealer or Investment Adviser may refuse a request for disbursement of funds from an account if the qualified individual has reason to believe that the requested disbursement may result in financial exploitation of a financially vulnerable adult. If a disbursement is temporarily held the qualified individual of the Broker-Dealer or Investment Adviser shall:

1. Make a reasonable effort to notify all parties authorized to transact business on the account orally, or in writing not more than two (2) business days after the qualified individual refuses the request for disbursement. Note that the qualified individual would not be required to notify an individual if there was reason to believe that party has engaged in or was suspected or attempted financial exploitation of the vulnerable adult.
2. Not more than three (3) business days after the refusal contact the Indiana Securities Division by phone at 317-232-6681, by email at [seniorprotection@sos.in.gov](mailto:seniorprotection@sos.in.gov) or via mail to Noelle Sykes, Chief Deputy Securities Commissioner, Indiana Secretary of State, Securities Division, 302 W. Washington Street, Room E-111, Indianapolis, IN 46204.
3. Not more than three (3) business days after the refusal contact Indiana Adult Protective Services by phone at 800-992-6978 or via [an online submission](#).

If an individual qualified as a Broker-Dealer or Investment Adviser refuses a request for disbursement, they must notify the Securities Division by phone, email or mail at the conclusion of the internal investigation.

Unless a court or the commissioner enters an order extending the refusal of disbursement or providing any other applicable protective relief, any delay of a disbursement will expire upon the earlier of the following:

1. A determination by the dealer or investment advisor that the disbursement will not result in financial exploitation of the eligible adult.
2. Fifteen (15) business days after the date of the initial refusal of disbursement by the qualified individual. However, if a broker-dealer's or investment adviser's internal review of the facts and circumstances supports the broker-dealer's or investment adviser's reasonable belief that the financial exploitation of the financially vulnerable adult has occurred, is occurring, has been attempted, or will be attempted, the commissioner shall extend the refusal of disbursement for an additional fifteen (15) business days after the expiration date that would otherwise apply.

For additional information regarding delay extensions, please reference the code cited above.

### **Kentucky**

In the State of Kentucky reporting is not mandated per Ky. Rev. Stat. Ann §365.245(1)(d) for broker-dealers and state-registered investment advisers. An oral or written report shall be made to the Cabinet for Health and Family Services and the Kentucky Department of Financial Institutions if the firm reasonably believes that financial exploitation has occurred, is occurring, has been attempted, or will be attempted.

Per the Ky. Rev. Stat. Ann §365.245(3), the firm, after reporting the exploitation and an internal review, reasonably believes that a transaction or a disbursement may result in financial exploitation and makes a report to the Cabinet for health and Family Services and the Kentucky Department of Financial Institutions.

The firm must provide written notification with the reason for the hold no more than two (2) business days after the hold to persons authorized to transact business on the account and persons 18 and older authorized by the specified adult, in writing, to be contacted about the account.

The temporary hold may last up to 15 business days provided:

1. The firm's ongoing, internal review supports its initial belief of financial exploitation; and
2. The hold is not terminated before then by government agencies or court order.

For additional information regarding delay extensions, please reference to the statute cited above.

### **Louisiana**

In the State of Louisiana reporting is not mandated per code La. Rev. Stat. An. §51:725.2 for any salesman, investment advisor representative, or person who serves in a supervisory, compliance, or other legal capacity for a broker-dealer or investment advisor ("Qualified Individual") to report if the Qualified Individual reasonably believes that financial exploitation may have occurred, may have been attempted, or is being attempted. To file a report for a person over the age of 60 with the Office of Elderly Affairs in the office of the Governor go to the online form at <http://www.ofi.state.la.us/SecFinancialExploitationReportingForms.html>.

Per La. Rev. Stat. An. §51:725.4, a firm may delay disbursement from an account if the firm, after an internal review, reasonably believes that a disbursement may result in financial exploitation. The firm must meet one of the following criteria:

1. Immediately, but in no event more than two (2) business days after the requested disbursement, notify all parties authorized to transact business on the account;
2. Immediately, but in no event more than two (2) business days after the requested disbursement, notify the Office of Elderly Affairs in the Office of the Governor (for account holders 60 and older), the Louisiana Department of Health and Hospitals (for account holders younger than 60), and the commissioner of Securities (for all account holders);
3. Continue internal review of the suspected financial exploitation and as necessary, and report the investigation results to the agencies above within seven (7) business days after the requested disbursement.

The temporary hold may last up to 15 business days provided:

1. The firm's ongoing, internal review supports its initial belief of financial exploitation; and
2. The investigation is not terminated before then by government agencies or court order.

For additional information regarding delay extensions, please reference the statute cited above.

Brookstone has appointed Seth Stewart as the designated individual to develop and implement these requirements.

### ***Diminished Capacity***

Dementia is defined as a chronic or persistent disorder of the mental processes caused by brain disease or injury and marked by memory disorders, personality changes, and impaired reasoning. Technically it is NOT a disease but a group of symptoms that characterize diseases and conditions. It is commonly defined as a decline in intellectual functioning that is severe enough to interfere with the ability to make informed decisions or perform routine tasks.

As clients reach a certain age, cognitive diseases such as Alzheimer's may begin to impact financial capacity. Financial capacity can be defined as the ability to independently manage one's financial affairs in a manner consistent with personal self-interest. Brookstone recognizes its responsibility to work with clients and any necessary family, friends, or medical personnel the client has named in order to move forward if the client's financial capacity has been compromised.

- a. Possible Signs of diminished capacity may include:
  - i. The client appears unable to process simple concepts;
  - ii. The client appears to have memory loss;
  - iii. The client appears to have difficulty speaking or communicating;

- iv. The client appears unable to appreciate the consequences of decisions;
  - v. The client makes decisions that are inconsistent with his or her current long-term goals or commitments;
  - vi. The client's behavior is erratic;
  - vii. The client refuses to follow appropriate investment advice; this may be of particular concern when the advice is consistent with previously-stated investment objectives;
  - viii. The client appears to be concerned or confused about missing funds in his or her account, where reviews indicate there were no unauthorized money movements or no money movements at all;
  - ix. The client is not aware of, or does not understand, recently completed financial transactions;
  - x. The client appears to be disoriented with surroundings or social setting; and
  - xi. The client appears uncharacteristically unkempt or forgetful. Reporting Possible Signs of Financial Abuse of Older Adults
- b. Reporting possible signs of diminished capacity:
    - i. Report any abuse immediately to CCO.
    - ii. CCO will investigate and if needed report to the proper authority as follows:

In order to address these circumstances, Brookstone has adopted the following policies:

- a. All clients will be advised to create a living will (durable power of attorney) specifically directed at their financial interest should their financial capacity be at all compromised;
- b. All clients shall be asked to provide the name and contact information of at least one family member or other trusted individual, shown in the Trusted Contact Form, to contact in the event Brookstone suspects any irregular or suspicious activities that may be related to diminished capacity or possible elder abuse issues;
- c. If any suspicion of diminished capacity is detected by Brookstone, the CCO will be contacted immediately and full documentation of the meeting or other interaction with the client that prompted the suspicion be maintained.
- d. After discovery or suspicion of possible dementia or other suspicious activities, Brookstone shall not meet with client alone and will thoroughly document all client communication;
- e. In the event the capacity of the client has deteriorated beyond the point of effective and ethical investment advice and an alternate POA or trustee has not been appointed, the Adviser shall terminate the investment advisory relationship and report the circumstances to individual as outlined in the Trusted Contact Form.

Elder financial abuse spans a broad spectrum of conduct including but not limited to, the taking of money or property; forging an older person's signature; getting an older person to sign over financial ownership via deeds, or giving power of attorney through deception, coercion, or undue influence; using and older person's property or possessions without permission; promising various care in exchange for money or property and not following through; or perpetrating scams or other fraudulent or deceptive acts. While a financial adviser may not be aware of many of these situations in most cases, they will become aware of these situations when the assets they are advising become the targets of these acts. Unfortunately, many of these situations occur along with the onset of a debilitating disease or client dementia. As a fiduciary to their client, all advisers should research the options in their communities concerning the reporting of these situations to the proper authorities. Most jurisdictions have the option of using a Department of Social Services (or other similar department) anonymous "tip lines" to report possible elder abuse issues.

### ***State Specific Information***

#### **Indiana**

In the State of Indiana reporting is mandated for broker-dealers, state-registered investment advisers, and SEC-registered investment advisers per Ind. Code Ann. §12-10-3-9(a). A report should be filed immediately to Adult Protective Services or a law enforcement agency or the Division of Aging, if the individual has reason to believe that a vulnerable adult is harmed or threatened with harm as a result of exploitation of the vulnerable adult's property. Reports can be made via an online form at

[www.ddrsprovider.fssa.in.gov/APSONlineReporting](http://www.ddrsprovider.fssa.in.gov/APSONlineReporting). Reports to the Division of Aging must be made by phone to 888-673-0002.

Reports shall contain:

- i. Name, age, and address of the vulnerable adult;
- ii. Names and addresses of family members or other persons financially responsible for the vulnerable adult's care or other individuals who may be able to provide relevant information;
- iii. Apparent nature and extent of the alleged neglect, battery, or exploitation and the vulnerable adult's physical and mental condition;
- iv. Name, address, and telephone number of the reporter and the basis of the reporter's knowledge;
- v. Name and address of the alleged offender; and
- vi. Any other relevant information.

### **Kentucky**

In the State of Kentucky reporting is mandated for broker-dealers, state-registered investment advisers, and SEC-registered investment advisers per K.R.S. §209.030(2). The report should be made immediately to the Cabinet for Health and Family Services if there is reasonable cause to believe that an adult has suffered abuse, neglect or exploitation. Reports can be made orally to 877-597-2331 or submit an online report at <https://prdweb.chfs.ky.gov/ReportAbuse>.

Reports shall contain the following information, if known:

- i. The name and address of the adult, or of any other person responsible for adult's care;
- ii. The age of the adult;
- iii. The nature and extent of the alleged abuse, neglect, or exploitation, including any evidence of previous abuse, neglect, or exploitation;
- iv. The identity of the perpetrator;
- v. The identity of the complainant; and
- vi. Any other helpful information to establish the cause of abuse, neglect, or exploitation.

### **Louisiana**

In the State of Louisiana reporting is mandated for broker-dealers, state-registered investment advisers, and SEC-registered investment advisers per code La. R.S. §15-1504(A). A report should be made if there is cause to believe that a vulnerable adult's physical or mental welfare has been or may be adversely affected by abuse, neglect, or exploitation. To file a report for a person over the age of 60 to the Office of Elderly Affairs in the Office of the Governor at 833-577-6532 or to any local state or law enforcement agency. To file a report for a person between 18-59 years of age, reports shall be made to the Louisiana Department of Health and Hospitals at 800-898-4910 or to any local or state law enforcement agency.

Reports shall contain the following information, if known:

- i. The name and address of the adult;
- ii. The name and address of the person responsible for the adult, if available; and
- iii. Any other pertinent information. Report does not need to include the name of the suspect.

## INITIAL AND ANNUAL PORTFOLIO HOLDINGS REPORT BROOKSTONE FINANCIAL (“BROOKSTONE”)

Employee Name: \_\_\_\_\_

I am reporting below all personal portfolio holdings information required to be reported pursuant to Brookstone’s Personal Trading Policy. Securities reported must be current within 45 days of the date of this report.

Required Portfolio Holdings to Report

I am required to report holdings of all securities held in accounts in which I have a direct or indirect beneficial ownership interest as described in Brookstone – Personal Trading Policy.

Transactions not Required to be Reported

I am not required to report holdings in the following securities: registered open-end investment companies, securities issued by the United States Government, bankers’ acceptances, bank certificates of deposit, commercial paper, money market mutual funds and other money market instruments.

### PORTFOLIO HOLDINGS INFORMATION

Check one or more applicable boxes:

- I have no reportable personal securities holdings.
- I have reportable personal securities holdings, as disclosed below.
- I have reportable securities holdings, as disclosed on the attached brokerage statements.
- Brookstone is in receipt of brokerage statements reflecting my personal securities holdings.

Account Number	Security Name and Ticker/CUSIP	Number of Shares/Par	Principal Amount	Broker or Bank Name

Employee Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Reviewed by: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

Attach additional sheets as necessary.

## QUARTERLY PERSONAL TRANSACTION REPORT BROOKSTONE FINANCIAL (“BROOKSTONE”)

Employee Name: \_\_\_\_\_ For the Quarter Ending: \_\_\_\_\_

I am reporting below all transactions required to be reported for the quarter pursuant to Brookstone’s Personal Trading Policy. I have completed and returned this report by the 30th calendar day following quarter-end.

### Required Transactions to Report

I am required to report all transactions of securities in which I have a direct or indirect beneficial ownership interest. Securities include stocks, bonds, closed-end mutual funds and exchange-traded funds. I am also required to report any transaction executed within an automatic investment plan that overrides a pre-determined schedule.

### Transactions Not Required to be Reported

I am not required to report shares of registered open-end investment companies, securities issued by the United States Government, bankers’ acceptances, bank certificates of deposit, commercial paper, money market mutual funds and other money market instruments and transactions effected through an automatic investment plan as described in Brookstone’s Personal Trading Policy.

### TRANSACTION REPORTING

Check one or more applicable boxes:

- I had no reportable transactions during the period.
- I had reportable transactions, as disclosed below.
- I had reportable transactions, as disclosed on the attached brokerage statements.
- Brookstone is in receipt of brokerage statements reflecting my reportable personal securities transactions.

### REPORTABLE TRANSACTIONS

Trade Date	Security Name and Ticker/CUSIP	Number of Shares/Par Int. Rate/Maturity	Purchase Sale Other	Price	Principal Amount	Broker Name	Account Number

Employee Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Reviewed by: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_

Attach additional sheets as necessary.



## RECORD KEEPING CHECKLIST

Record	Responsible Party	Location and Retrieval Mechanism
<b>FINANCIAL RECORDS</b>		
Cash Receipts Blotter		
General Ledgers and Trial Balance		
Checks, Bank Statements, Reconciliations		
Fee Billing		
Balance Sheet		
Payables/Receivables		
<b>CLIENT/ACCOUNT RECORDS</b>		
New Account Form		
ACAT (if applicable)		
Advisory Agreements		
Client Statements		
Questionnaire(s)		
Order Memoranda		
List of Clients by state		
List of Discretionary Clients		
Powers of Attorney		
Holdings by Client		
Holdings by Security		
<b>FORM ADV</b>		
Current Form ADV Part 1/ADV Part 2		
Past Form ADV Part 1/ADV Part 2		
<b>ADMINISTRATIVE RECORDS</b>		
State/Sec Correspondence		
Current/Past Advisory Agreements		
List of Access Persons		
Organizational Chart		
Trade Error Report		
U4/U5 Filings		
Corporate Documents		
Complaint File		
Correspondence File		
Advertising File		
<b>COMPLIANCE RECORDS</b>		
Current Compliance Manual		
Past Compliance Manual		
Compliance Manual initial/annual signoff		
- Code of Ethics		
- Business Continuity Plan		
- Privacy Notice		
Personal Holdings Report Initial/Annual		
Quarterly Personal Transaction Report		

See Records Maintenance for Discontinuing Business in the Books and Records section above for instructions.

**ACKNOWLEDGEMENT OF RECEIPT  
BROOKSTONE FINANCIAL (“BROOKSTONE”)**

REGISTERED INVESTMENT ADVISOR POLICIES AND PROCEDURES MANUAL

I acknowledge that I have received a copy of Brookstone’s Policies and Procedures Manual. This agreement includes Brookstone’s Compliance Manual, Code of Ethics, Privacy Policy, Insider Trading Policy, Personal Securities Records, and the Business Continuity and Disaster Plan.

I understand that all Brookstone and Brookstone’s Client information is confidential and may not be distributed in any way nor discussed with anyone who is not an employee of Brookstone.

I have read and understand the contents of this Agreement and will act in accordance with these policies and procedures as a condition of my employment with Brookstone.

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Employee Name (Please Print)

\_\_\_\_\_  
Title

## ADVERTISING APPROVAL FORM BROOKSTONE FINANCIAL ("BROOKSTONE")

### *IAR Advertisement Approval Form*

Please attach material and submit to: [sstewart@brookstonefinancial.com](mailto:sstewart@brookstonefinancial.com)

Brookstone Name: \_\_\_\_\_ Phone#: \_\_\_\_\_ Fax #: \_\_\_\_\_

Name of Material: \_\_\_\_\_

Date of first use: \_\_\_\_\_ Number of pages: \_\_\_\_\_

**Please check all that apply:**

- |  |   |
|--|---|
| <input type="checkbox"/> Form Letter (many Recipients) | <input type="checkbox"/> Form Mailer            |
| <input type="checkbox"/> Letterhead/Business Cards     | <input type="checkbox"/> Market Commentary      |
| <input type="checkbox"/> Third Party Material          | <input type="checkbox"/> General Communication  |
| <input type="checkbox"/> Article                       | <input type="checkbox"/> Blast Email            |
| <input type="checkbox"/> Brochure/Flyer                | <input type="checkbox"/> Newsletter             |
| <input type="checkbox"/> Seminar <sup>1</sup>          | <input type="checkbox"/> TV commercial (script) |
| <input type="checkbox"/> Website                       | <input type="checkbox"/> Other _____            |

<sup>1</sup>Must include all slides, scripts, invitations, handouts and dates of seminar.

A copy of each notice, circular, advertisement, newspaper article, investment letter, bulletin or other communication that the investment advisor circulates or distributes, directly or indirectly, to more than one person is required to be reviewed by compliance; kept and maintained by Brookstone.

\_\_\_\_\_  
Brookstone's Signature

\_\_\_\_\_  
Date

#### **For Brookstone Financial Use Only** **Advertising Principal Comments / Revisions**

Reference #:	Principal Name:	Principal Signature:
<input type="checkbox"/> Approved as is Approval Date: _____	<input type="checkbox"/> Revisions Needed Date Returned: _____	<input type="checkbox"/> Not Approved Declined Date: _____
Revisions requested:		
Date Revisions Received from Advisor: _____		Final Approval Date: _____

\* Items must be returned to compliance within 30 days or items will be marked unapproved and file will be closed.

**Approved as is** – advisor may use as is with no changes.

**Approved w/revisions**- advisor must make the suggested changes before utilizing. Does not need to be reviewed again by compliance. **Returned for revisions** –advisor must make revisions and return to compliance for second review.

**Not approved** –advisor may not use any version.

## TRADE ERROR FORM

Today's Date	
Client's Name	
Client's Account Number	
IAR's Name	
Date of Transaction	
Amount of Transaction	
Product/Security	
Description of Error	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
Date of Correction	
Amount of Loss Incurred	
Who is responsible for expense of loss?	
Client Notified Date	
Signature of IAR	
Date	
Signature of Supervisor	
Date	



## CUSTOMER COMPLAINT LOG

Date Rec'd	Client Name	Description of Complaint	Date of Response	Resolution	CCO Approval

## OUTSIDE ACTIVITY APPROVAL FORM (one form per activity)

Advisor's Name: \_\_\_\_\_ Date: \_\_\_\_\_

**1. Name of Business:** \_\_\_\_\_ **Start Date:** \_\_\_\_\_

Type:  Corporation       Partnership       Sole Proprietorship       LLC       Other: \_\_\_\_\_

Address: \_\_\_\_\_ Phone Number: \_\_\_\_\_ Website: \_\_\_\_\_

**2. Nature of Business:**

**Insurance** – describe below (required)  
 Equity Indexed Annuities       Fixed Annuities       Life Insurance       Long Term Care  
 Property & Casualty       Viatical Settlements       Life Settlements       Other (explain): \_\_\_\_\_

**Real Estate** - describe below (required)  
 Real Estate Sales       Commercial Property       Other (explain): \_\_\_\_\_

**Mortgage Related Services**  
 Initial Mortgages & Refinancing       Reverse Mortgages       Other (explain): \_\_\_\_\_

**Tax Services/Accounting**  
 Business Manager       Bookkeeping       Other (explain): \_\_\_\_\_

**Professional Services/Consultant**  
 Attorney       Notary       Other (explain): \_\_\_\_\_

**Corporate/Non-Profit** - check all that apply  
 Board of Directors:       Profit       Non-Profit       Charity/Non-Profit Organizations  
 Other (explain): \_\_\_\_\_

**Business Owner/Retail Sales** Describe: \_\_\_\_\_

**Unaffiliated (Independent) Registered Investment Adviser (RIA)**  State Registered       SEC Registered

**Other** - Describe or attach separate sheet \_\_\_\_\_

**3. Position/Title/Relationship:** \_\_\_\_\_

**4. Description of Duties:** \_\_\_\_\_

**5. # Hours spent on this activity/month:** \_\_\_\_\_. **# hours spent on this activity during trading hours (if different):** \_\_\_\_\_.

**6. Did you raise capital or assist in raising capital to fund this business or any other business?**  Yes  No

**7. How are you compensated by this business?**  
 Salary       Commission       Hourly/Flat Fee       Profits       Other (explain) \_\_\_\_\_

**8. Are you subject to any formal or informal agreement or arrangement requiring you to turn over or share your securities commissions to this business?**  Yes  No

**9. Are any of the business' employees, co-owners, or partners registered representatives of a broker-dealer?**  
 Yes  No If yes, list their names here: \_\_\_\_\_

**IAR SIGNATURE:**

By signing below I authorize Brookstone Wealth, LLC to investigate my outside business activities and contact any entities or individuals affiliated with such outside business activities. Furthermore, I authorize these entities or individuals to release to you any information that you request about my employment, affiliation and/or activities with this organization.

I further understand that Brookstone Wealth, LLC reserves the right to object to, or place conditions on, outside business activities that may constitute, in the judgment of Brookstone Wealth, LLC, a potential conflict of interest to my association with the firm.

I acknowledge that I have read and understand the prohibitions and limitations listed in the Compliance Manual regarding OBAs, and understand that there may be other activities not listed that will also be prohibited.

*The foregoing is true and correct.*

**X** \_\_\_\_\_ IAR Signature      **Date** \_\_\_\_\_

**X** \_\_\_\_\_ Chief Compliance Officer      **Date** \_\_\_\_\_

## DEPARTMENT OF LABOR RETROSPECTIVE REVIEW REPORT

Pursuant to the DOL's Retrospective Review requirement as outlined in Brookstone's Compliance Manual, this report is being completed to evidence the review of randomly sampled Rollover Comparison Guides and Worksheets. The sample includes various Rollover Comparison Guides and Worksheets based on, but not limited to, the size/value of the rollover, the registration and account type, and whether or not the rollover was executed. **Please note:** The sample size should adequately represent a broad spectrum of the rollovers you completed. You may attach more pages as necessary.

**This report is for fiscal year \_\_\_\_\_**

Client's Name		
Client's Account Number		
Sending & Receiving Account Type	Sending:	Receiving:
IAR Facilitating Rollover		
Date of Rollover		
Value of Rollover		
Was a Rollover Comparison Guide and Worksheet Completed?		
Deficiencies Found?		
How Were Deficiencies Resolved?		

Client's Name		
Client's Account Number		
Sending & Receiving Account Type	Sending:	Receiving:
IAR Facilitating Rollover		
Date of Rollover		
Value of Rollover		
Was a Rollover Comparison Guide and Worksheet Completed?		
Deficiencies Found?		
How Were Deficiencies Resolved?		

Client's Name		
Client's Account Number		
Sending & Receiving Account Type	Sending:	Receiving:
IAR Facilitating Rollover		
Date of Rollover		
Value of Rollover		
Was a Rollover Comparison Guide and Worksheet Completed?		
Deficiencies Found?		
How Were Deficiencies Resolved?		

By signing below, the Senior Executive Officer of Brookstone is:

- Certifying receipt and their review of this report.
- Certifying that Brookstone has in place policies and procedures (e.g. Rollover Comparison Worksheet) that are prudently designed to adhere to the provisions of the exemption including but not limited to the Impartial Conduct Standards.
- Certifying that Brookstone has in place a process that is prudently designed to modify such policies and procedures as business, regulatory, or legislative conditions dictate.
- Certifying that Brookstone has tested the effectiveness of the policies and procedures.

Senior Executive Officer Signature: \_\_\_\_\_ Date: \_\_\_\_\_