

Introduction

Milestone Investments, Inc. ("MILESTONE") is a dually Registered Limited Broker-Dealer Firm with the Financial Industry Regulatory Authority (FINRA) and the Securities and Exchange Commission (SEC) and a Registered Investment Advisor ("RIA") with the state of North Carolina. As a dually registered firm, MILESTONE offers a variety of products and services through our Registered Representatives and/or our Investment Advisor Representatives. The following important information provides details of MILESTONE offerings you need to be aware of before opening an account, or engaging in securities transactions with our firm, to ensure all recommendations are in your best interest.

Services

MILESTONE offers both brokerage and investment advisory services to retail investors. There are distinct differences between these services, and each provides solutions to many different financial needs. It is important to understand these differences when you are making the decision to engage with our firm.

Brokerage Services

Brokerage services, also referred to as broker-dealer or commission-based services, are offered by registered representatives of MILESTONE and include the buying and selling of securities, investment recommendations, financial tools and calculators and investor education. The firm, as a limited broker-dealer, offers several different types of securities including but not limited to mutual funds, variable and index annuities and variable life insurance to assist investors in reaching their financial goals.

Brokerage transactions take place direct with an investment company or a product sponsor. Which type of account you open should be carefully considered based on your financial needs and situation.

Accounts are opened directly with an investment company or a product sponsor and only allow transactions in that sponsor's offerings. Accounts can be established with multiple product sponsors to provide a diversified solution to your financial needs. Some products cannot be bought and sold directly with a product sponsor and must be transacted in a brokerage account including stocks, bonds, some mutual funds, unit investment trusts and exchange traded funds. Conversely, some products cannot be purchased in a brokerage account and must be purchased directly with the product sponsor including variable life insurance and some variable annuities, mutual funds and 529 plans. MILESTONE does not impose account

Milestone Investments, Inc.

minimums, but each product sponsor has its own requirements. Further information can be found in the prospectus or offering documents.

Although MILESTONE does review recommendations made by your representative and transactions in your brokerage account against our best interest policies and procedures, we do not monitor your account unless otherwise agreed to in writing in advance. Recommendations made are purely recommendations and the final decision to open an account and purchase or sell securities are solely yours.

Advisory Services

Advisory services, also referred to as fee-based services, are offered by investment advisor representatives of MILESTONE and include asset allocation accounts and financial planning services all for a fee. These are all custodied by a third party. These include but are not limited to TD Ameritrade Institutional or Third-Party Asset Managers (TPAM).

Each custodians' services have specific characteristics that make it unique compared to the others. All factors should be carefully considered before establishing an account based on your financial need and situation.

Asset allocation account portfolios may consist of ETFs, mutual funds, stocks, bonds and other asset types. These accounts are managed by the advisor according to a risk assessment established by the retail investor at the time of account opening. Allocations are designed by the advisor to meet certain investment objectives, risk tolerance, time horizon and liquidity needs. Your information is used to determine an appropriate allocation to align with your financial profile. Individual securities, mutual funds and ETFs are utilized in the allocation and may be exchanged for different ones due to several factors including performance and cost. Your account may be occasionally rebalanced to return your account to the original allocation.

Accounts are managed on a non-discretionary basis. Non-discretionary means that you make the ultimate decision regarding the buying and selling of securities in your portfolio. You must approve any transactions prior to your advisor executing them.

MILESTONE monitors advisory accounts on a regular basis to ensure models are managed according to their investment objectives. Quarterly performance reports are sent to you indicating the performance of your account according to appropriate benchmarks. The minimum to open and maintain an account is \$50,000 but may be waived on a case-by-case basis.

MILESTONE has relationships with several third-party asset managers. Third-Party Asset Management Accounts (TPAM's), utilize professional money management services to create and manage portfolios for investors. TPAM's may utilize mutual funds, ETFs and other securities to create models or customized portfolios for clients. Each TPAM has its methodology to help determine which portfolio or program is appropriate for the end investor and relies on the advisor to work with the client in

Milestone Investments, Inc.

final portfolio/program selection. In addition, they may offer additional services like rebalancing, dollar-cost averaging, tax harvesting and investor education.

MILESTONE does not provide any guidance or monitoring regarding TPAM portfolios. All asset allocations as well as the individual securities that make up those allocations are determined by the TPAM. All investment decisions, including security substitutions are left to the discretion of the asset manager. Details about each TPAM's management philosophy, process and account restrictions including minimums can be found in the TPAM's account documents.

Account Registrations

Another important consideration before working with MILESTONE is account registration selection. The firm offers a variety of account registrations and investors may open one or a combination of accounts under several registrations to achieve their financial goals. Some account registrations are limited in purpose while others may be tied to many different objectives. In the same manner, a specific investment or financial objective may be met through one or many different account registrations. For example, the objective of saving for a dependent's education may be accomplished by establishing a 529 College Savings Plan, a Coverdell Education Savings Account or a Uniform Transfer to Minors Act Account.

Each account registration has different characteristics and rules that may make it appropriate for your situation. You should understand and carefully consider all aspects of a registration including eligibility, tax implications, investment limitations and legal aspects prior to opening and funding the account. You should also consider the advice of your legal or tax professional along with your investment professional in determining the appropriate account registration(s) to meet your financial goals.

Fees, Costs and Expenses

All products and services offered through MILESTONE include various fees, costs and expenses. Part of these expenses include compensation to your financial professional. Specific product expenses can be found in the product's prospectus. The following is not an exhaustive list but is intended to provide you information to guide your investment decisions when working with your financial professional.

Brokerage Products

Products you may invest in have internal fees charged by the product manufacturer and/or costs associated with trading those securities. In a brokerage relationship with our firm, part of those fees represent compensation to MILESTONE.

Mutual funds are pools of securities managed by the mutual fund company on behalf of the end investor. Each mutual fund has an investment objective such as growth, income or capital preservation. The mutual fund prospectus provides details regarding the fund's objectives, risks, methodology, fees and expenses and should

Milestone Investments, Inc.

be read carefully before investing. Each mutual fund may offer different share classes to invest in with each designed to meet investment objects and time horizons with various cost structures. The most common share classes are described below.

Class A shares typically include an up-front sales charge or sales load that is charged against your purchase amount. This reduces the total amount of your investment. Depending upon the amount you invest or plan to invest, you may be eligible for a reduction in the sales load. A schedule of breakpoints based on investment amount along with other sales load reductions can be found in the prospectus. Ongoing fees and expenses for the management of the fund tend to be lower in A shares.

Class C shares typically have no sales load upon investment, but the ongoing expenses tend to be higher. There may also be a contingent deferred sales charge (CDSC) for funds sold within one year. Due to higher ongoing expenses, C shares may be more expensive over a long period of time and are usually more appropriate for investors with a short time horizon.

A and C share classes along with other commissionable share classes are sold to brokerage clients of MILESTONE and pay a commission as part of each purchase to MILESTONE. A portion of this commission is paid to your financial professional. In addition, the product sponsor pays ongoing compensation to MILESTONE in the form of 12b-1 fees, typically between 0.25% and 1%, that are shared with your financial professional for as long as you hold your investment with our firm.

Money market funds are mutual funds that invest in short term debt instruments with the objective of maintaining a price of \$1.00 per share. There are no sales loads or redemption fees for money market funds, but they do charge ongoing expenses for as long as you hold the fund. A portion of those expenses is paid to MILESTONE and shared with your financial professional in the form of 12b-1 fees.

Variable annuities are a contract between the investor and an insurance company where the insurance company agrees to provide a single lump sum or series of payments immediately or at a future date. Your single or series of purchase payments may grow tax deferred until distributions are received. The money invested may be allocated within sub-accounts similar to mutual funds that invest in various securities. The performance of these sub-accounts will affect the value of your contract.

Variable annuities may come with a variety of features including death benefits, income benefits and accumulation benefits. Depending upon the annuity, these may be standard or added to your contract for an additional cost.

Due to the complexity of annuities, their involvement of certain insurance aspects and the wide availability of features, there are several different fees and charges that reduce or affect the return of your investment.

Milestone Investments, Inc.

- Account fee or contract fee. Many annuity policies come with an account fee that usually represents a flat annual amount. It may be waived by some insurance companies based on account balance.
- Mortality and Expense charge (M&E). This is the fee included to cover insurance aspects of the contract like the death benefit or income guarantees. It may range from .04% to 1.75% annually.
- Sub-account fees. This fee is charged by the underlying sub-account you chose to invest in for managing the portfolio of assets. Fees can vary for each account.
- Surrender charge. You are subject to a surrender charge or contingent deferred sales charge (CDSC) if you liquidate your annuity within a certain period of time after purchase. This fee typically decreases on an annual basis for several years until it reaches zero. Most contracts allow a free withdrawal provision of typically 10% annually without incurring a surrender charge.
- Administrative fees. These fees cover the cost of maintaining and administering your contract.
- Optional rider fees. These are fees associated with each optional benefit you add to your contract. Examples include enhanced death benefits, income riders and long-term care benefits.

Most variable annuities sold through MILESTONE include a CDSC fee. MILESTONE is paid a commission for the sale of the annuity. Your financial professional may choose a commission option that pays a higher upfront amount and lower ongoing trail commissions annually or a lower upfront commission with higher ongoing trail commissions. A portion of the payments we receive is shared with your financial professional.

Variable annuities offered through MILESTONE are purchased directly with the insurance company. Details regarding all costs, fees and expenses along with sub-account, rider and contract information are found in the product prospectus. You should read carefully before investing.

Fixed indexed annuities are a contract between the investor and an insurance company where the performance is linked to an index. Account growth is subject to rate floors and caps providing downside protection but limiting upside potential. The insurance company bears the risk of market loss in exchange for a limited upside to the client. Typically, all costs and expenses are factored into rate caps so there is no upfront sales charge. A contingent deferred sales charge may apply if the product is liquidated within a certain time frame after purchase. Included in those costs is a commission to MILESTONE which is shared with your financial professional.

Advisory Products

Advisory accounts with MILESTONE are charged an ongoing asset-based fee and not a commission. A portion of the fee that MILESTONE charges is shared with your

Milestone Investments, Inc.

financial profession. MILESTONE does not charge any transaction fees or receive any commissions in advisory accounts. The products or custodians used to manage your account may also have various internal fees and costs charged by the product manufacturer.

Mutual funds used in MILESTONE advisory accounts do not have a front-end sales charge and do not pay commission to MILESTONE. Typically, they are no load mutual fund shares, institutional shares, advisory shares or class A shares offered at net asset value (NAV). NAV represents that actual value of the underlying assets that make up the fund's portfolio without front-end sales charges and commission. It is important to know all the share classes available to you in your advisory account and the fees and expenses charged by the fund. Information regarding the share classes for each fund family available to advisory accounts and their costs can be found in the product prospectus

Exchange traded funds or ETFs are pooled investments of a managed portfolio of securities designed to track an index. ETFs trade on a securities exchange where they may experience price changes throughout the trading day. These can be found in the custodian's account disclosures. ETFs do have ongoing internal operating expenses that may affect the ETFs performance and price. Additional information may be found in the product prospectus.

Closed-end funds are pooled asset securities that are traded on an exchange in a brokerage account and are professionally managed. There are a fixed number of shares and prices may fluctuate throughout the day based on supply and demand as well as the value of the underlying assets in the portfolio. Closed- end funds also have ongoing fees and expenses that can be found in the funds offering documents.

Annuities, both fixed and variable, are not currently offered as part of the MILESTONE advisory program and can only be purchased as commissionable products with our firm. Should they become available in MILESTONE advisory programs, all internal expense of the annuity charged by the insurance company as detailed in their prospectus would be applicable in addition to the advisory fee charged by MILESTONE and shared with your financial professional.

General securities including stocks, bonds, certificates of deposit and options bought and sold through MILESTONE advisory programs are done by submitting the transaction to the custodian, where it is routed for execution.

Additional Costs

Ticket charges are applicable to mutual fund, ETF, equity, fixed income, UIT and options transactions in your accounts. These charges are assessed to your account for each trade if charged on the transaction. Ticket charges represent execution and clearance costs charged by the custodian.

In addition to securities transaction fees in brokerage accounts and internal product costs for both brokerage and advisory products, you may incur account fees,

Milestone Investments, Inc.

maintenance fees and fees for ancillary services as part of your brokerage or advisory account. The fees may be applicable based on activity in your account or services you add to your account. Money movement, transfers, security reorganizations, margin transactions and other activity may be assessed on a per event basis. Qualified accounts may incur an annual maintenance fee and termination fee. Ancillary services such as check writing may have an annual fee and or activity related fees. These fees are assessed by the custodian and passed directly to your account. Details regarding these fees can be found in the custodian's account disclosures.

Accounts held directly with product sponsors, both advisory and brokerage, may charge account related fees based on minimums, activity and account type in addition to product related fees. Details regarding these fees can be found in the product prospectus and/or the sponsor companies account documents.

Compensation

MILESTONE and your financial professional receive compensation in different forms and the amount of compensation may vary. It is important to note compensation as this may present certain conflicts of interest when doing business with our firm.

Cash Compensation

When transacting in brokerage business with MILESTONE, the firm and your financial professional receives commission from the products you buy and sell. Commissions vary by product type and individual product. MILESTONE and your financial professional may have incentive for you to trade more frequently to generate more commission and/or purchase products that offer higher commission amounts as opposed to those with lower commission amounts. Please refer to the product prospectus and your trade confirmation for details about commissions and sales charges paid in conjunction with your transaction.

Trail compensation is paid to MILESTONE and shared with your financial professional in brokerage accounts. This amount is typically based on the amounts you have invested with mutual fund and insurance companies and calculated as an annual percentage. There is an incentive for us to retain your account to continue to receive this compensation. This amount may vary by product and there may be an incentive to recommend products that pay a higher amount of trail compensation.

In MILESTONE advisory accounts, you are charged a fee based on the assets in your account or a fee for the services provided. A portion of the fee is retained by MILESTONE which includes technology and platform costs. The remainder of that fee is paid to your financial professional. Since this fee is based on assets in you account, we and your advisor have an incentive for you to increase the number of assets in the account.

Supervisory principals in branch offices have obligation to supervise financial professionals in their branch. These Office of Supervisory Jurisdiction principals may

Milestone Investments, Inc.

receive a portion of commissions or advisory fees from MILESTONE or your financial professional as compensation for supervisory and administrative functions they provide. This presents a conflict in providing objective supervision of the individuals they supervise as they are compensated based on the financial professional's revenue generated from commissions and fees. In addition, they may have a conflict in deciding to terminate a higher producing financial professional for disciplinary reasons.

Non-cash Compensation

Third parties such as product and technology providers may provide MILESTONE and your financial professional with gifts up to \$100 in value per year. They may also provide meals, entertainment, education services and conferences. Financial professionals may have an incentive to sell or use products of those providers that provide such non-cash compensation.

Outside Business Activities

Financial professionals are allowed to engage in other outside business activities (OBAs) in addition to the services offered through MILESTONE. MILESTONE must review and approve all outside activities, but they are separate and distinct from those offered by MILESTONE. Financial professionals may receive compensation from the OBA and may receive more compensation than which is earned from MILESTONE. Common OBAs include fixed insurance sales, tax preparation or their own registered investment advisor. This may provide an incentive for your financial professional to recommend products or services away from MILESTONE. A list of the OBAs your financial professional is engaged in can be found on FINRA's BrokerCheck website at <http://brokercheck.finra.org>.

Other Conflicts

We have an obligation to act in your best interest when making recommendations as a broker dealer or a registered investment advisor. We have an obligation to supervise our financial professionals to ensure that recommendations they make are also in your best interest. The way we and your financial professional are compensated creates some conflicts of interest as noted above. In addition, the following conflicts exist that we manage by disclosing them to you.

Products: Although MILESTONE has a variety of products available to represent a choice in each product category, we do not maintain selling agreements with the entire universe of financial products available. Other firms may have products that may not be available to you through MILESTONE. As noted previously, some products pay higher upfront commission and/or higher trail commissions. We have an incentive to maintain agreements with firms that pay higher commissions. The firm also limits some products with a risk-based approach. Some more complex products like alternative investments, leveraged ETFs and structured products may not be available through MILESTONE but may be available at other firms.

Milestone Investments, Inc.

Licensing, Appointments and Approvals: As noted previously, all financial professionals at MILESTONE may not be appropriately licensed to sell all products and may have a more limited set of offerings available to you. In addition, not all financial professionals are investment advisory representatives and may not offer advisory services. They are limited to brokerage products on a commission basis only. They may or may not have the appropriate internal approvals to offer all products. It is important to ask your financial professional what products they are licensed and approved to offer to ensure the range available to you is appropriate for your situation. Additional information regarding licensing and state approval can be found on FINRA's BrokerCheck website at <http://brokercheck.finra.org>.