

Gradient Investments Buffered Index Portfolio

Designed for upside participation
with a pre-determined level of
downside protection

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Portfolio Methodology

OBJECTIVE

Market Exposure With A
Pre-Determined Level of
Downside Protection

EXECUTION

A Portfolio Containing
Structured Notes With
Defined Maturities



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What Is A Structured Note



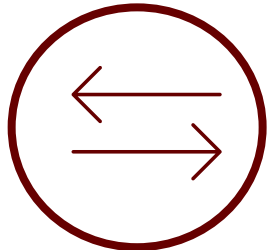
Issued by financial institutions
(backed by the credit of the underwriter)



Returns are “linked” to a specified asset or index



Fixed maturity date

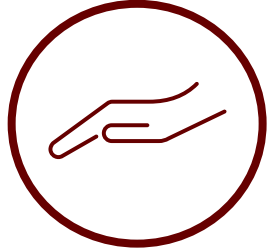


Not actively traded on public security exchanges

Why Invest In A Buffered Index Product



Benefit from an index's upside potential



Provide limited downside protection



Invest for shorter time horizons



Moderate growth investment objective

Buffered Index Structure

Terminology	Purpose
Market Exposure	Return is based on the <u>price return</u> of a specific index
Buffer	Pre-determined level of downside protection
Cap	Pre-determined level of maximum return
Participation Rate	Extent of participation in the underlying asset's gain
Outcome Period	Defined period of time for the maturity of the note



Setting the Terms

Gradient Investments sets the initial terms of the note

- Market index exposure (example: S&P 500)
- Buffer level
- Index participation rate
- Outcome period (maturity date)

Underwriter calculates the cap level

- Will vary based on note terms and current market conditions

Gradient Investments selects underwriter via competitive bid

- Bids solicited from multiple underwriters
- Must be an investment grade financial institution



Structured Notes Offer Liquidity

Structured notes are priced daily:

- Daily pricing at Net Asset Value (NAV) by the underwriter

Intra-period NAV prices:

- May not directly correlate with the price return of the index
- Tend to lag index returns on the upside
- Tend to directionally match the index on the downside
- The closer the maturity, the more index and note returns will match

Intra-period liquidations are completed at NAV minus a custodial fee of \$ 1 per unit (\$10 minimum, \$250 maximum)



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Points to consider

Structured notes have a fixed maturity date

- Structured notes are designed to be held point to point
- Investors are encouraged to stay invested to maturity
- Intra-period pricing may not directly correlate with index price return

Structured notes can lose money

- Buffered notes offer a pre-determined level of downside protection
- If Index returns are below the buffer, the investment is subject to a loss

At maturity:

- Structured note matures and client account goes to cash
- Gains will be taxed at long term rates if held to maturity
- Fully principal protected notes are subject to ordinary income tax



Individual Note Offerings

Each structured note offering will have a dollar limit:

- Gradient will set the dollar limit
- Dollar limits are subject to change with each offering

If client demand exceeds the offering dollar limit:

- Subsequent requests WILL NOT BE INVESTED
- Advisors will be notified
- Investment in a new offering will require a NEW SIGNED ADDENDUM

If demand for the offering size is not met, the offering is subject to cancellation

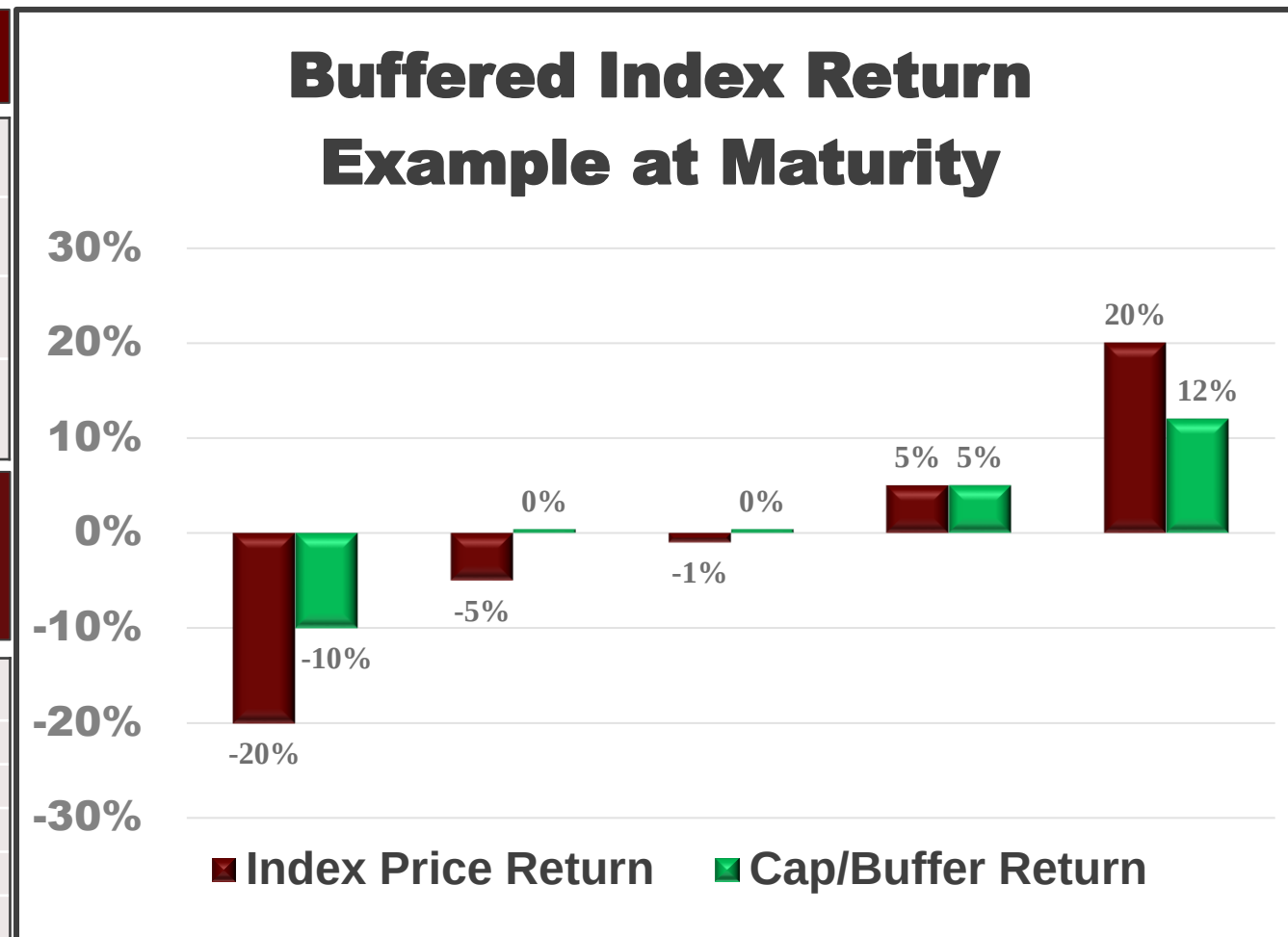


Risk Associated With Yield Investing

Scenario	
Cap	12%
Buffer	10%
Participation	100%
Outcome Period	366 days

Outcome Examples

Index Price Return	Cap/Buffer Return
-20%	-10%
-5%	0%
-1%	0%
5%	5%
20%	12%



For illustration purposes only. Illustration returns are gross of all Advisor and Investment Management fees. Terms and outcomes subject to change. These numbers are not meant to predict your individual results which could be better or worse. Investing involves risk including the possible loss of principal, and past performance is no guarantee of future returns. This information should not be used as the sole basis for making an investment decision.

Market Conditions That Affect Caps

Index Used	Different indices/sectors will affect cap levels
Volatility of the Index	Greater volatility generally leads to higher caps
Current Interest Rates	Higher rates generally lead to higher caps
Index Dividend Yield	Higher dividend yields generally lead to higher caps
Maturity Length	Longer maturities generally lead to higher caps
Offering Size	Amount of assets invested can affect cap levels



What Happens At Maturity

- Gradient Investments will notify advisors of the upcoming note maturity
- The structured note pays out cash proceeds
- Clients can use proceeds for the next Gradient Investments structured offering when available

NOTE

Investors will not be automatically reinvested in the next Gradient Investments Structured Note offering. Clients must determine the appropriate action.

SUMMARY

Buffered Index Series

- Buffer provides downside protection to a pre-determined level
- Offers upside index participation up to a pre-determined cap rate
- Defined maturity date
- Based on the price return and participation rate of a specific index
- **Structured Notes**
 - Built as a “point-to-point” solution with a fixed maturity date
 - Backed by the credit of investment grade financial institutions
 - Not traded on public security exchanges
 - May be taxed at long term gain if held to maturity
- **Portfolio Model**
 - 98% note /2% cash (based on 1-year maturity)
 - Longer maturities may require higher initial cash balances

Account Minimum: \$25,000

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