

# *Bluestone*

Bluestone Wealth Advisors, Inc.

538 Valley Brook Road, Suite 100

Venetia, PA 15367

724-941-8625

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

March 31, 2011

This Brochure provides information about the qualifications and business practices of Bluestone Wealth Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us at 724-941-8625 or [rpulit@bluestonewa.com](mailto:rpulit@bluestonewa.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Bluestone Wealth Advisors, Inc. is a SEC registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Bluestone Wealth Advisors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission ("SEC") published "Amendments to Form ADV" which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure, dated March 31, 2011, is our new document prepared according to the SEC's new requirements and rules. As such, this document is different in form and structure and includes certain new information that our previous brochure did not require.

In the future, this page will provide our clients with a summary of material changes that are made to the Brochure. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to our clients on at least an annual basis. As required by the new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may also provide ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge, upon request from you.

Currently, our Brochure may be requested by contacting Robert Pulit, Chief Compliance Officer, at 724-941-8625 or [rpulit@bluestonewa.com](mailto:rpulit@bluestonewa.com). Our Brochure is also available free of charge, on our web site, at [www.bluestonewa.com](http://www.bluestonewa.com).

Additional information about Bluestone Wealth Advisors, Inc. is available by accessing the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Bluestone Wealth Advisors, Inc. who are registered, or are required to be registered, as investment adviser representatives of the firm.

## TABLE OF CONTENTS

<u>Item 1 – Cover Page</u> .....	i
<u>Item 2 – Material Changes</u> .....	ii
<u>Item 3 -Table of Contents</u> .....	iii
<u>Item 4 – Advisory Business</u> .....	1
<u>Item 5 – Fees and Compensation</u> .....	3
<u>Item 6 – Performance-Based Fees and Side-By-Side Management</u> .....	5
<u>Item 7 – Types of Clients</u> .....	5
<u>Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss</u> .....	5
<u>Item 9 – Disciplinary Information</u> .....	8
<u>Item 10 – Other Financial Industry Activities and Affiliations</u> .....	8
<u>Item 11 – Code of Ethics</u> .....	9
<u>Item 12 – Brokerage Practices</u> .....	10
<u>Item 13 – Review of Accounts</u> .....	12
<u>Item 14 – Client Referrals and Other Compensation</u> .....	12
<u>Item 15 – Custody</u> .....	13
<u>Item 16 – Investment Discretion</u> .....	14
<u>Item 17 – Voting Client Securities</u> .....	14
<u>Item 18 – Financial Information</u> .....	14
<u>Privacy Policy</u> .....	14

#### **Item 4. Advisory Business**

Bluestone Wealth Advisors, Inc. is a SEC-registered investment adviser that was founded in 1999 by Albert Calfo. The firm was originally founded as Calfo Financial Services, Inc., and later changed its name to Retirement Advisors, Inc. and currently to Bluestone Wealth Advisors, Inc. The principal owners of the firm are Lee Calfo, Albert Calfo, Gregory Martik, Jayme Russo and Robert Pulit. The firm's main office is located in Venetia, Pennsylvania and the firm also has an office in Wayne, Pennsylvania.

Bluestone Wealth Advisors, Inc. ("Bluestone") offers individualized investment advisory services based on the financial needs and goals of the client. Bluestone provides asset management services and separately managed accounts billed on a fee basis, as a percentage of assets under management. Bluestone also provides financial planning services billed on an hourly fee or included in the asset management fee, which may include services and advice on matters not involving securities.

#### **Asset Management Services**

Bluestone offers individual portfolio management and investment supervisory services ("Asset Management"). The firm provides individualized investment advice to clients based upon the client's specific needs. Through personal consultations, Bluestone gathers specific financial data to develop a client's personalized profile, which includes a client's investment objectives, current financial position, risk profile, investment time horizon, tax situation and liquidity needs. Bluestone reviews the client's personalized profile and based upon this review, determines an appropriate asset allocation model for the client. Such model takes into account the client's liquidity needs, portfolio goals, tax objectives and risk tolerance. Bluestone then recommends specific investments to implement the client's recommended asset allocation model, incorporating a client's existing holdings where appropriate. Bluestone may also recommend non-securities products as part of this service, in an effort to provide a more comprehensive approach to evaluating a client's financial situation. Bluestone offers this on-going Asset Management to clients on either a discretionary or non-discretionary basis, at the direction of the client.

#### **Separately Managed Account**

#### **Bluestone Capital Management**

Bluestone offers asset allocation, manager evaluation and portfolio construction services to individuals and institutions through an account management program on a discretionary basis (referred to as "Bluestone Capital Management" or "Bluestone CM"). James Harrington and Marne DeSantis are the managers for these accounts. The Bluestone Capital

Management strategy seeks to construct a portfolio of mutual funds, ETFs, separate account managers and other investments to meet each individual client's risk and return objectives. The manager(s) use a top-down approach to identify sectors and portfolio strategies that they believe will produce strong relative performance to the broad equity and debt markets and then utilize their experience and a customized research process to engage in bottom-up research to select individual managers and construct a portfolio. The top-down approach involves using screening tools to find investment securities that meet certain characteristics, such as profitability, earnings growth or valuation, as identified by the portfolio managers of Bluestone. From this resulting list of screened securities, Bluestone's portfolio managers perform due diligence on individual investment securities, including reviewing company press releases, competitive industry data and company-specific financial data to pick individual securities from the screened list. Mutual funds managers and ETF's are also screened and then individually evaluated using the top-down and bottom-up approaches.

### **Financial Planning Services**

Bluestone offers personal financial planning services which may include review of individual investments; review and analysis of an existing portfolio; evaluation of the client's current financial situation, financial goals and financial objectives; etc. Bluestone typically provides its financial planning services as part of its asset management services. Dependent upon the scope of the services to be performed by Bluestone, the preparation of each plan involves guiding clients in gathering, compiling, preparing, and analyzing personal financial data. At the completion of the financial planning process, the client has the option to implement recommendations through Bluestone, but is not obligated to do so. If Bluestone assists in the implementation of any recommendations, clients may engage the firm separately for Investment Management Services or Separately Managed Account Services described above.

### **General Information Related to Investment Recommendations**

For each of the above disclosed advisory services, Bluestone does not limit its investment recommendations to any specific type of product or security. A client's individual needs and objectives are analyzed to determine appropriate investments and products for the client. Since different types of investments typically involve different types of risk, the firm conducts a risk analysis of the client and his/her overall portfolio, before recommending a certain investment. Bluestone manages assets on either a discretionary or non-discretionary basis, and a client is always free to place restrictions on the types of investments the firm recommends for the client's portfolio. In general, the firm utilizes equity investments in individual stocks, preferred stocks, no-load or load-waived mutual funds, and exchange

traded funds. Bluestone also provides recommendations on fixed income investments, including individual bond positions, bond mutual funds, certificates of deposit, and fixed income exchange traded funds. In addition, Bluestone provides advice related to limited partnerships and non-securities products, including insurance products.

### **Assets under Management**

As of December 31, 2010, Bluestone was providing investment advisory services to 88 clients. The total value of assets under management for which Bluestone provides regular and continuous investment management services was \$78,138,215, held in 238 accounts.

## **Item 5. Fees and Compensation**

### **Financial Planning Services**

Financial planning services are typically provided to a client in conjunction with asset management services. Therefore, a separate financial planning fee is not typically charged. In the event that Bluestone was to charge for separate financial planning services, the firm would assess fees on an hourly fee basis at a rate of \$125 per hour. The firm may require an up-front retainer based on an estimate of the total hourly fee, with the remaining hourly fees billed to the client as services are rendered.

### **Asset Management Services**

Asset Management Services are typically billed as a percentage of assets under management. In some cases, clients may be charged an annual flat fee, as negotiated between Bluestone and the client. The specific fee arrangement will be disclosed in the Asset Management Agreement signed by the client at the inception of the engagement.

The annual fee for Asset Management Services is as follows:

Up to \$1,000,000	1.00%
Next \$1,000,000 to \$4,000,000	.90%
Next \$4,000,000 to \$6,000,000	.75%
Above \$6,000,000	Negotiable

This fee may be negotiable at the sole discretion of Bluestone, depending on the complexity of the services provided and the amount of assets under management. This fee is billed quarterly, in advance, based on the value of the portfolio as determined by the account custodian on the last business day of the preceding quarter. For the initial quarter that services are provided, fees are assessed pro-rata, based on the number of days in the quarter the Asset Management Agreement is in effect and the total dollar amount of the

initial deposit. Fees are typically debited from a client's brokerage account, with written permission from the client. In some cases, Bluestone will allow clients to directly remit payment for advisory fees, upon presentation of an invoice.

### **Separately Managed Account**

**Bluestone Capital Management** accounts are billed according to the Asset Management Services fee schedule described above.

### **General Information Related to Fees and Compensation**

While Bluestone has established the above referenced fee schedule for its advisory services, the firm may negotiate fees under certain, limited circumstances, at its sole discretion. Factors considered when determining whether a different fee will be negotiated include, among other things, the complexity of the client's financial situation, related accounts under management, portfolio style, and the provision of other services provided to the client. Clients will receive advance written notice of any change in their applicable fee schedules. Investment advisory services provided by Bluestone may cost a client more or less than advisory services offered by other investment advisors. Bluestone will not be compensated on the basis of a share of capital gains in a client's account.

In addition to advisory fees, clients may be subject to custodial and account fees charged by account custodians or broker/dealers with whom clients establish accounts. Such additional fees may include, but are not limited to, transaction charges, IRA fees and other account administrative fees. Please see additional disclosure made for Item 12, Brokerage Practices, later in this brochure. In cases where shares of mutual funds or exchange traded funds are included in clients' portfolios, clients may also be subject to fees and expenses charged directly by the mutual fund or exchange traded fund company. Such fees may include, but are not limited to, management fees, fund expenses, distribution fees, and 12b-1 fees. Clients should refer to the applicable product prospectus for a complete discussion of the fees and charges associated with the product.

Clients have the option of purchasing investment products through any broker/dealer of their choice; however, Bluestone associates may not be able to provide Asset Management Services for assets purchased away from custodians recommended by Bluestone.

If Bluestone makes recommendations to clients for the purchase of insurance products, clients may pay a normal and customary insurance commission for the purchase of the product. In these cases, Bluestone's associated persons may receive commissions, as insurance agents, generally based upon a percentage of the premiums paid. Such insurance commission is paid directly to the Bluestone associate from the issuer of the insurance

product. Bluestone makes this service available to clients simply as a convenience to clients. Clients are not obligated to purchase any insurance products from Bluestone's associates.

Clients may terminate Investment Advisory Agreements at any time upon prior written notice. If an Agreement is terminated within the first five business days, clients are entitled to a full refund of any fees paid. If an Investment Advisory Agreement is terminated after more than five business days, clients may be assessed fees on a pro-rata basis at the sole discretion of Bluestone, based on the number of days that investment management services were provided.

#### **Item 6. Performance-Based Fees and Side-By-Side Management**

Bluestone does not currently charge performance-based fees for its advisory services.

#### **Item 7. Types of Clients**

Bluestone provides investment advisory services to individuals, high-net worth individuals, corporations or other businesses, trust, estates and charitable organizations. In general, Bluestone requires that Asset Management clients maintain a minimum account balance of \$100,000. This minimum may be waived at Bluestone's sole discretion. In addition, Bluestone may charge a minimum fee of \$1,000.00 annually, which may be waived or reduced at the sole discretion of Bluestone.

#### **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

There are general standards of education and business experience which Bluestone requires of those involved in determining or giving investment advice to its clients. Bluestone associates are required to have the technical knowledge in the areas of securities portfolio management. Bluestone requires that all advisors be college graduates in a related field (accounting, economics, business, etc.) and/or have achieved a professional designation (CFP, CLU, ChFC, CFA etc.) or are working toward achieving the designation.

In most instances, the method of security analysis, sources of information and investment strategy chosen for an Asset Management client will be dictated by the client's investment needs and objectives which are discussed with the client at the inception of the advisory relationship. In addition to reviewing documents and materials provided by product sponsors or research services, Bluestone may, in some cases, conduct on-site due diligence visits where necessary or appropriate. For Asset Management clients, Bluestone takes a



comprehensive approach to evaluate an overall portfolio strategy and asset allocation that meets a client's needs and objectives. Rather than focusing on specific investments, Bluestone identifies an appropriate ratio of securities, fixed income investments, real estate investments and cash, to build a portfolio that is suitable for a client's investment needs, objectives and risk tolerance. Portfolios are typically made up of various equity and debt based securities, including individual stocks, no-load or load-waived mutual funds, fixed income securities, exchange traded funds, and other investments.

Bluestone conducts its research on the investments it recommends using publicly available performance information. Bluestone utilizes a wide variety of research, news, periodical and internet outlets to research investment ideas and formulate opinions. These include:

Investor's Business Daily

Barron's

Street Authority

Dividend Detective

Morningstar

Bull Market

Quantum

The Economist

The Wall Street Journal

Stansberry & Associates

Charles Schwab Institutional

Fidelity Wealth Central

Bloomberg

Yahoo Finance

The investment selection for individual equities is as follows:

1. Assess client's risk and goals
2. Develop screen for investments that meet client criteria.

The screening process evaluates the following data:

Price Earnings Ratio  
Sales Growth  
Earnings per Share  
Profit and Operating Margins  
Current and Quick Ratios  
Operating Cash Flow

3. Develop a list of investment opportunities that meet our client criteria.
4. Research list of investment opportunities using Investools software. We analyze the following data:

Balance Sheet and Income Fundamentals  
Insider Buying/Selling  
Institutional Buying/Selling  
Option Interest

5. Investments that meet our criteria are discussed during our investment committee meetings. If agreed to by a majority, then investment can be placed in client portfolio(s)

For mutual funds, exchange traded funds, and separately managed accounts; Bluestone evaluates the experience and track record of product managers, to determine whether a manager has demonstrated the ability to manage assets under varying economic situations. Bluestone also evaluates the underlying investments in a mutual fund or exchange traded fund, to determine whether the manager invests in a manner that is consistent with the fund's investment objective. A risk associated with this type of analysis is that past performance is not a guarantee of future results. While a manager may have demonstrated a certain level of success in past economic times, he or she may not be able to replicate that success in future markets. In addition, just because a manager may have invested in a certain manner in past years, such manager may deviate from his/her strategy in future years. To mitigate this risk, Bluestone attempts to select investments from companies with proven track records that have demonstrated a consistent level of performance and success. Bluestone also relies on an assumption that the rating agency it uses to evaluate investments is providing accurate and unbiased analysis.

Bluestone uses investment management strategies that it feels best meet its clients' needs and objectives. Typically such strategies include holding investments for a year or longer. However, clients of the firm may have different risk objectives and time horizons. In addition, market conditions may cause Bluestone to have more frequent investment

turnover in client accounts. While this strategy typically meets the needs and objectives of our clients, long-term investment strategies may include the risk of not taking advantage of short-term gains that could be profitable to a client. In addition, all securities investments involve risk and clients may lose all or part of their investment. Clients who elect to invest in securities must be willing to bear this risk. For this reason, Bluestone determines an appropriate risk tolerance for its clients. Investment recommendations are always made with this risk tolerance in mind.

For the Bluestone Capital Management asset allocation program, the managers for these accounts seek to construct portfolios of mutual funds, ETFs, separate account managers and other investments to meet each individual client's risk and return objectives. The managers use a top-down approach to identify sectors and portfolio strategies that they believe will produce strong relative performance to the broad equity and debt markets and then utilize their experience and a proprietary research process to engage in bottom-up research to select individual managers and construct a portfolio.

Investments in securities products involve risk, including the possible risk of loss of all or a portion of a client's principal. Clients must be willing to bear this investment risk when choosing to invest in securities products.

#### **Item 9. Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Bluestone or the integrity of Bluestone's management. Bluestone has no reportable information applicable to this Item.

#### **Item 10. Other Financial Industry Activities and Affiliations**

Associates of Bluestone are licensed to sell various insurance products for which they receive product commissions. The potential for this additional compensation creates a conflict of interest when making advisory recommendations that involve insurance products for which commissions may be earned. Bluestone associates make these recommendations when they feel it is in the client's best interest, based on the specific needs and objectives of the client. The potential for additional compensation is not a criterion on which these recommendations are based.

Bluestone associates are also registered as registered representatives with Dautrich Seiler Financial Services, Inc. ("DSFS") an unaffiliated registered broker/dealer. In their

capacities as registered representatives of DSFS, Bluestone associates may receive commissions for securities product sales which may or may not include 12b-1 fees paid for mutual fund shares. The potential for this additional compensation creates a conflict of interest when making advisory recommendations that involve securities products for which commissions may be earned. Bluestone associates make these recommendations when they feel it is in the client's best interest, based on the specific needs and objectives of the client. The potential for additional compensation is not a criterion on which these recommendations are based.

Mr. Albert Calfo, owner and Principal of Bluestone, is 19% owner of QualiCare Home Medical, which owns and operates sites that test for sleep disorders, and provides medical devices and equipment. Albert Calfo spends approximately 90% of his time on this business. Albert Calfo is also Chief Operating Officer of Bluestone Capital Management, a company that provides business consulting and technology support services to Bluestone Wealth Advisors. Albert Calfo spends less than 5% of his time on matters relating to this company. Neither of these affiliations has a material impact on advisory clients or the investment advisory services rendered by Bluestone.

Lee Calfo, owner and Principal of Bluestone, is President of Green Mountain Holdings, Inc., a small business consulting company. Lee Calfo spends less than 5% of his time on Green Mountain Holdings, Inc. Lee Calfo is President of Bluestone Capital Management, a company that provides business consulting and technology support services to Bluestone Wealth Advisors. Lee spends less than 10% of his time on this company. Neither of these affiliations has a material impact on advisory clients or the investment advisory services rendered by Bluestone.

#### **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Bluestone has adopted a Code of Ethics to promote the principles of honesty and integrity in its business practices, and to maintain Bluestone's reputation as a firm that operates with the highest level of professionalism. Bluestone recognizes its fiduciary responsibilities to its clients, and its duty and pledge to place clients' interests first and foremost. In connection with this duty, all employees of Bluestone are subject to the firm's Code of Ethics, and are required to acknowledge their understanding of its terms. A copy of the Bluestone Code of Ethics will be provided to any client or prospective client upon request.

Bluestone's Code of Ethics establishes procedures for employees to report personal securities transactions and personal securities holdings. The Code sets forth procedures

for management review of these reports. In some cases, Bluestone's employees may be required to obtain pre-approval for certain personal securities transactions or refrain from certain transactions altogether. Bluestone's Code of Ethics also sets forth the obligation of all Bluestone employees to comply with applicable state and federal securities laws, and the duty to cooperate in any investigation or inquiry conducted on or by Bluestone. Finally, Bluestone's Code of Ethics establishes procedures for the reporting of any potential violation of the firm's Code.

Bluestone or its owners, officers and employees may buy or sell securities that are the same or different than those they recommend to clients. While buying or selling the same security as a client would be incidental, it may represent a potential conflict of interest, which would be fully disclosed to the client. Bluestone or its owners, officers and employees may not sell securities from their accounts directly to a client, nor may they purchase securities directly from a client. Bluestone, its owners, officers and employees are prohibited from trading on material nonpublic information. Bluestone does not trade ahead of clients, but instead puts clients' interests first. Employees may not purchase or sell any security prior to a transaction being implemented for an advisory client, unless the timing of such transaction was done without the employee's knowledge of a client's transaction. Bluestone endeavors to ensure that the personal trading activities of its owners, officers and employees do not interfere with the decision making process for client investment recommendations. Bluestone also endeavors to ensure that the personal trading activities of its owners, officers and employees do not interfere with the implementation of investment recommendations made to clients.

Bluestone prohibits its owners, officers, and employees from participating in any principal transactions, where securities are purchased directly from, or sold directly to a client. Bluestone also prohibits its owners, officers and employees from purchasing shares in initial public offerings or private placement offerings, unless express written permission is provided in advance, by the firm's Chief Compliance Officer. Bluestone, its owners, officers and employees, do not recommend to clients that they buy or sell securities in which a person associated with Bluestone has a material financial interest.

## **Item 12. Brokerage Practices**

For Asset Management and Separately Managed Account clients, Bluestone recommends that clients maintain brokerage accounts at either the Schwab Institutional division of Charles Schwab & Co, Inc. ("Schwab"), or Fidelity Investments ("Fidelity"). Both Schwab and Fidelity are unaffiliated registered broker/dealers and members SIPC. While clients may choose to use a different broker/dealer for execution and custodial services, Bluestone may be unable to provide Asset Management or Separately Managed Account services to

clients who elect to use other firms. Bluestone routinely recommends that clients utilize the brokerage and custodial services offered by Schwab or Fidelity, unlike other advisors who may permit clients to direct brokerage.

Bluestone provides investment advisory services on either a discretionary or non-discretionary basis. Clients are free to place restrictions on investment recommendations made by Bluestone, and for non-discretionary accounts clients may decline to implement recommendations made by Bluestone.

Bluestone is unable to negotiate specific transaction costs for transaction execution. Transactions executed by Schwab or Fidelity are subject to the transaction and execution fee schedule in effect at the time of execution. Bluestone does not negotiate commission rates or volume discounts. Therefore, brokerage and investment advisory services offered by Bluestone may cost a client more or less than similar investment advisory services offered by another firm, or by purchasing similar services separately.

As noted previously, Bluestone recommends the custodial and execution services of either Schwab or Fidelity. Bluestone receives economic benefits through its use of these firms' custodial services. These benefits may include: receipt of duplicate trade confirmations; access to research; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, technology and practice management products or services provided to Bluestone by third party vendors. These benefits received by the firm do not depend on the amount of brokerage transactions directed to either firm.

As part of its fiduciary duty to clients, Bluestone endeavors at all times to put clients' interests first. Clients should be aware, however, that the receipt of economic benefits by the firm in and of itself creates a potential conflict of interest. While Bluestone feels the quality of custodial services provided by Schwab and Fidelity is beneficial to clients, the firm cannot guarantee that best execution will be obtained.

Bluestone does not recommend broker/dealers in order to receive client referrals from such broker/dealers. Bluestone may aggregate the purchase or sale of securities for various client accounts, and clients will be afforded an average-priced allocation.

In addition to the above custodian for asset management accounts, Bluestone associates may recommend that clients maintain accounts with Dautrich Seiler Financial Services, Inc. ("DSFS"), an unaffiliated registered broker/dealer. As disclosed previously, associates of

Bluestone are registered representatives of DSFS and may receive securities commissions for transactions executed through that firm. Of course, clients are free to select any broker/dealer of their choice to custody their investments; however, associates of Bluestone may not be able to provide advice on assets held at other firms. When using DSFS to custody assets, clients may pay higher or lower commissions than they would elsewhere. Bluestone feels the commissions paid while a client of DSFS are reasonable and competitive, but the firm cannot guarantee that best execution will always occur.

### **Item 13. Review of Accounts**

**Asset Management Services and Separately Managed Accounts:** On an ongoing basis, all accounts are monitored for aggregate performance in light of general market and economic conditions. Each account undergoes a thorough review at least quarterly. Each account is reviewed in light of the client's specific objectives, overall market conditions and current asset mix. Recommendations are made at the end of these reviews, as necessary, for the rebalancing of an account or to recommend alternative investments. More frequent reviews may be made when there are material market changes or changes in the client's financial situation. All reviews are conducted by Principals of Bluestone.

Bluestone typically provides reports to clients on a quarterly basis, and at least an annual basis. Reports may also be issued monthly, semi-annually or annually dependent upon the client's request and the services contracted for in the Asset Management Services Agreement. The firm utilizes an independent third party performance reporting system that aggregates and reconciles client account data to produce regular statements. This web site is maintained by the independent third party performance reporting system. Clients also receive normal and customary brokerage account statements, if applicable, whenever there is activity in the accounts or at least quarterly. Clients should compare account information provided in reports furnished by Bluestone with the information provided on the custodial brokerage statements.

**Financial Planning Services:** A comprehensive financial plan may be completed for a client. If the client engages Bluestone for Asset Management Services, the client's overall financial plan may be reviewed at the discretion of the client and Bluestone.

### **Item 14. Client Referrals and Other Compensation**

As discussed previously, the sole business of Bluestone is that of providing the investment advisory services described herein. However, in order to provide comprehensive

investment advisory services, Bluestone may, from time to time, utilize other professionals from whom clients may receive specific advice.

If Bluestone makes recommendations to clients for the purchase of insurance products, clients may pay a normal and customary insurance commission for the purchase of the product. In these cases, Bluestone's associated persons may receive a commission, as insurance agents, generally based upon a percentage of the premiums paid. Such insurance commission is paid directly to the Bluestone associate from the issuer of the insurance product. Bluestone makes this service available to clients simply as a convenience to clients. Clients are not obligated to purchase any insurance products from Bluestone's associates. The receipt of additional compensation presents a conflict of interest in that Bluestone's associates may be induced to recommend that clients purchase insurance products. While this may be true, Bluestone's associates endeavor at all times to act in the best interests of their clients, and recommendations to purchase insurance products are only made when Bluestone feels it is in the best interest of a client.

As disclosed previously, Bluestone associates may receive additional compensation through their affiliation with DSFS. As registered representatives of DSFS, Bluestone's associates may receive normal and customary securities commissions from the sale of certain investment products. Associates may also receive 12b-1 fees on shares of mutual fund or investment company products. The receipt of this additional compensation represents a conflict of interest in that associates of Bluestone may be induced to recommend certain products to clients for which a securities commission may be earned. Associates of Bluestone endeavor to act in the best interest of their clients and recommendations for securities products for which commissions may be earned are only made when Bluestone's associates believe it is in the best interest of the client.

From time to time, Bluestone may feel it is appropriate to refer clients to other professionals from whom certain services may be received as part of a comprehensive approach to financial planning. Examples of these other professionals include attorneys or accountants. Bluestone makes these referrals as a convenience to clients only. Clients are not obligated to work with the professionals to whom Bluestone may refer them, and they do so at their sole discretion. Bluestone is not responsible or liable for any services provided by these outside professionals.

## **Item 15. Custody**

Bluestone does not maintain custody of client funds or securities, except to the extent that it has the ability to debit advisory fees directly from client accounts, as agreed to in writing by the client. Clients receive normal and customary custodial account statements at least



quarterly, which detail the amount of advisory fees debited from an account. Clients are strongly encouraged to review all statements carefully. Clients, not account custodians, are responsible for verifying the accuracy of all fees.

#### **Item 16. Investment Discretion**

Bluestone provides Asset Management Services on either a discretionary or non-discretionary basis, at the sole direction of the client. For discretionary Asset Management Services, Bluestone requires that clients grant Bluestone discretion in writing, at the time an asset management relationship is established.

#### **Item 17. Voting Client Securities**

Bluestone does not accept authority to vote client securities on behalf of clients. Clients retain all rights to their brokerage accounts, including the right to vote proxies. Clients are responsible for directing each custodian of their assets to forward copies of all proxies and shareholder communications directly to the client. While Bluestone may provide information or consultation to assist a client in deciding how to vote a particular security, the ultimate decision and responsibility to vote a security lies with the client.

#### **Item 18. Financial Information**

Bluestone does not require or solicit prepayment of more than \$1,200 in advisory fees more than six months in advance of services rendered. Bluestone is therefore not required to include a financial statement or balance sheet with this brochure.

Bluestone does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Bluestone has not been the subject of any bankruptcy petition.

#### **Privacy Policy**

Bluestone maintains a specific Privacy Policy that is distributed to each client at the time an account is opened and annually thereafter. Bluestone collects nonpublic information about clients from the following sources: information the firm receives from clients verbally, on applications or other forms and information about client transactions with others or the firm.

Bluestone may have to share non-public client information with unaffiliated firms in order to service client accounts. Additionally, Bluestone may have to provide information about clients to regulatory agencies as required by law. Otherwise, Bluestone will not disclose any client information to an unaffiliated entity unless a client has given express permission for the firm to do so.

Bluestone is committed to protecting client privacy. The firm restricts access to clients' personal and account information to those employees who need to know the information. Bluestone also maintains physical, electronic and procedural safeguards that the firm believes comply with Federal standards to protect against threats to the safety and integrity of client records and information.