

BROOKSTONE ADVISORY INC.

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**FORM ADV PART 2
BROCHURE**

This brochure provides information about the qualifications and business practices of Brookstone Advisory Inc. (BAI). If you have any questions about the contents of this brochure, please contact us at the any of the above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about BAI is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for BAI is CRD 105858.

BAI is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

MATERIAL CHANGES: This brochure will be updated annually and when material changes occur. Clients will receive copies of material changes when they occur.

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Advisory Business

BAI began its investment advisory business in 1997.

Leonard M. Mazur is its sole shareholder and employee. Mr. Mazur earned the following degrees: BSBA in Accounting (University of Florida) 1967, MBA (University of Florida) 1968, JD (New York University Law School) 1971, and LLM in Taxation (New York University Law School) 1975. Mr. Mazur is a member of the New York State Bar (retired), a Certified Public Accountant (CPA) and Certified Financial Planner (CFP®). Mr. Mazur worked at Arthur Andersen & Co. from 1971 to 1996 and was a Tax Partner at the time of his retirement from that firm.

BAI primarily provides investment supervisory services. BAI's services are based upon the identified financial needs of its clients. Such services ordinarily include the following:

1. Initial client meetings to develop an understanding of the client's financial needs, financial resources, and expectations. Such meetings include discussions as to client timeframes, expected risk tolerance, income needs, and asset class preferences. During this period net worth, liquidity needs and investment assets are summarized. BAI and the client discuss asset allocation, portfolio diversification, managing portfolio risk, and other investment, financial and economic topics. Based on the above, BAI and the client prepare an Investment Policy Statement (IPS). The IPS contains the client's chosen asset allocation together with the allowable asset allocation ranges by major asset class. BAI also discusses and determines whether clients want to impose restrictions on certain securities or types of securities. Such client desired restrictions are respected.
2. Appropriate no-load or load waived mutual fund searches are conducted to determine the specific mutual funds to be purchased to implement the IPS. Mutual funds included in the lists presented to the client will be based upon compatibility with the client's identified risk tolerance, asset class preferences, investment objectives and other relevant criteria. Such relevant criteria include the history and investment philosophy of the mutual fund's management company and manager, fund size, internal fund expenses and fees as well as consistency of performance both as to return and risk. At least two funds will be included for each asset class, subclass or group of subclasses being considered.
3. Clients are requested to establish accounts at Fidelity Investments (Fidelity). BAI then directs the purchases of the mutual funds selected at Fidelity. Both the client and BAI subsequently receive transaction confirmations, monthly account statements and other information direct from Fidelity. Generally, BAI discourages clients from utilizing non Fidelity accounts. (See Brokerage Practices section below). However, BAI will provide comments to clients on non-Fidelity accounts when in its opinion it has a sufficient understanding of the place of the account in the client's overall financial/investment program. In such cases, BAI must also have sufficient contact with such account to enable it to understand the reasoning for the accounts investments and transactions.
4. BAI monitors client owned mutual funds on a continuous basis. BAI notifies clients of manager/management style changes and other significant events affecting individual funds as it is made aware of them.
5. BAI prepares portfolio and fund performance reports on a quarterly basis. The reports compare the portfolio and funds to appropriate market and asset class indices, chosen asset allocation and other benchmarks as agreed with the client. Portfolio rebalancing to comply with the IPS is reviewed.
6. Clients are requested to discuss any changes in their financial situation as they arise.
7. BAI does not recommend investing in individual securities or industry sectors. If such investments are contained in client accounts, the client is aware that BAI will not provide specific investment oversight of the individual security. BAI will assist clients in understanding the potential tax consequences relating to acquisition and dispositions of securities.
8. BAI also provides business, tax and financial planning advice where it is requested by the client and deemed within *the* scope of its expertise by BAI. Client issues outside BAI's expertise are referred to appropriate specialists selected by the client or recommended by BAI.
9. Clients may terminate their investment advisory services agreement with BAI by providing notice of such action to BAI. Upon receipt of notice, BAI will compute a daily prorated fee reduction and issue the client a refund for the unearned portion of the prepaid quarterly fee.

10. BAI does not participate in Wrap Fee Programs.

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While BAI recommends the process described above to all its clients, clients may elect to revise the process. BAI accepts adjustments to its recommended process when it believes the client's revised process assures both parties understand their responsibilities, subsequent actions and potential outcomes of the agreed actions.

At December 31, 2011 BAI managed \$50,000,000 on a discretionary basis. BAI discretion is limited to purchasing and selling securities in client managed accounts at Fidelity without prior client notification.

Neither BAI nor Leonard M. Mazur are actively engaged in any business other than providing investment advisory services.

Fees and Compensation

Investment supervisory services are billed quarterly in advance, based upon the applicable percentage of the value of assets supervised at prior quarter end under BAI's fee schedule. BAI's fee schedule is 1% annually on the first \$1,000,000 and 0.50% thereafter. Fees for non-profit organizations are 0.50% annually. Fees are billed quarterly at one quarter of the annual percentage fee. Fees are directly charged by BAI to the client's Fidelity accounts. Clients' monthly statements report the fee charged by BAI. BAI will begin to enclose in each quarterly report an analysis of its quarterly fee (assets under management at prior calendar quarter end x annual fee percentage divided by 4) with its first quarter 2012 report. BAI's fees do not include mutual fund operating and management expenses, security purchase and sale commissions, custodian fees and other expenses charged by parties other than BAI. Also see the Brokerage Practices section of this report.

BAI's fees are non-negotiable.

BAI does not charge a separate or additional fee for its financial planning/advice services.

Clients terminating their relationship receive a prorated refund of the advance quarterly fee based upon total client days vs. days in the quarter.

Neither BAI nor Leonard M. Mazur receive any monetary compensation other than that stated above.

Performance-Based Fees and Side by Side Management

BAI does not receive any performance based fees.

Types of Clients

BAI's clients are generally (over 80%) high net worth individuals. Services are provided to their family members, individual accounts, IRAs, trusts and partnerships. BAI also provides services to non-high net worth individuals, non-profit organizations and corporations.

Methods of Analysis, Investment Strategies and Risk of Loss

BAI utilizes historical and various sources of projected capital markets data to assist clients in choosing their asset allocation/portfolio diversification strategy. Mutual Funds offered for client

portfolio selection are based upon (1) an analysis of the mutual fund's management company, (2) the fund's manager/management team's history, (3) the fund's investment philosophy and consistency in applying such philosophy, (4) internal expenses and management fee and (5) the fund's historical performance (both return and risk) relative to its peer group. BAI does not engage in strategic or tactical market timing.

BAI's services to clients are based upon a long term strategic asset allocation selection, current monitoring of both the portfolio's allocation consistency with the client's IPS and the individual mutual fund's relative performance in its peer group. Strategic asset allocation goals are adjusted when necessary to reflect changes in the client's personal situation.

Client portfolio's are therefore subject to periodic market downturns. Additionally, underperformance by the individual mutual funds utilized in the client's portfolio negatively affect the portfolio's value and ability to achieve the client's long term financial goals. Investing in securities involves risk of loss which clients should be prepared to bear

Disciplinary Information

Neither BAI nor Leonard M. Mazur have been or are the subject of any legal or disciplinary actions relating to the advisory business or integrity of its management.

Other Financial Industry Activities and Affiliations

Neither BAI nor Leonard M. Mazur have any relationships with related parties which are material to the advisory business.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

BAI's Code of Ethics is based upon the principle that it has a fiduciary duty to place its clients' interests ahead of its own interests. This means that BAI and its principal will not 1. take action for their benefit which might knowingly harm a client; 2. take gifts or opportunities from persons seeking to do business with BAI which could be perceived to affect the exercise of their independent judgment or 3. take or forego other actions which could have the appearance of negatively affecting their fiduciary duty.

Leonard M. Mazur and his family members do invest in mutual funds in which clients have investments and mutual funds in which no BAI client is known to have investments. Mutual funds are sold at net asset value and Mr. Mazur and his family's purchases and sales do not affect the cost or value of the mutual fund. Thus the existence and timing of such ownership has neither a negative or positive impact on client portfolio values. BAI and Leonard M. Mazur do not buy or sell securities to clients.

Brokerage Practices

BAI recommends Fidelity to its clients to serve as their broker-dealer. BAI has a contractual relationship with Fidelity's financial advisor program which services financial advisors (e.g. BAI) and their clients. BAI receives both proprietary and third party research, software, and other materials and services which allow it to access client information, execute trades and carry out other client related activities. The information and services which BAI receives are available to all financial advisors associated with Fidelity and are similar to those provided to financial advisors by other broker-dealers. No known goods or services are received based upon account size, trading activity or other factors. BAI's ability to obtain research and other products and services without cost to it provides a benefit which is available due to having its clients establish accounts at Fidelity. Thus, BAI has an incentive to recommend Fidelity to its clients based upon its interest in receiving research, products and services rather than the client's receiving most favorable execution. BAI believes that the benefit of consolidated reporting and centralized

administration provided by Fidelity support its recommendation to clients to use Fidelity. BAI believes that the commissions and fees charged by Fidelity are similar to those charged by other broker-dealers. However, use of a different broker-dealer may result in a different commission or fee, either lower or higher, for a transaction or account. No-load and load waived mutual funds (which are used almost exclusively in BAI's practice) are sold at Net Asset Value; therefore, all transactions are executed at the most favorable price. BAI receives no referrals from Fidelity. BAI periodically reviews the costs (fees, commissions, etc.) and services (client retail location access to their accounts, research, depth and scope of products available, etc.) provided at Fidelity against those providing at competing brokerages to assure itself that the such costs and services are competitive.

Review of Accounts

BAI (i.e. Leonard M. Mazur) reviews client accounts at least quarterly in connection with the preparation and communication of its written quarterly performance reports to clients. Quarterly reports include the following: consolidated account value at quarter end compared to prior quarter end adjusted for contributions and withdrawals, time weighted quarter return, multiple period portfolio returns compared to same period strategic benchmark, listing of consolidated client holdings showing tax cost, quarter end market value, gain/loss, percentage change; schedule showing asset holdings by asset allocation sector; various index returns for the quarter and prior periods; mutual fund summary pages showing all funds owned and a separate information page for each fund. Client accounts are also reviewed during the quarter based upon market volatility, changes in a mutual fund's management or investment philosophy, economic conditions and similar events.

Client Referrals and Other Compensation

BAI does not compensate anyone for referrals or receive economic benefits from non-clients for investment or advisory services.

Custody

BAI is deemed to have custody of client funds as clients have given permission for it to directly charge their accounts for its fees. BAI does not have other indicia of custody of client funds or securities. BAI will provide quarterly billing statements to its clients showing the amount and computation of its quarterly fee. Clients are informed that they should review BAI's quarterly account statements and compare them to the same period statements received from their broker-dealer. BAI asks that it be notified of any discrepancy noted.

Investment Discretion

BAI investment advisory contract and Fidelity's account application provide BAI with the authority to initiate and execute security purchases and sales in its client accounts without client preapproval; i.e. discretionary authority. Clients may restrict BAI's discretionary authority, as explained above, by so indicating to BAI.

Voting Client Securities

BAI does not have authority to vote client securities. Clients receive their proxies directly from their custodian. Clients can contact BAI to discuss proxy voting issues.

Financial Information

BAI does not meet the regulatory requirements to publish its financial information.

Additional Information

BAI accepts as new clients only those persons personally known to it or referred from a known and respected source. BAI engages in no active marketing to attract new clients.

REQUIREMENTS FOR STATE REGISTERED ADVISORS

All information requested in this section has been provided in this brochure in previous sections.