

## Item 1 Cover Page

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This brochure provides information about the qualifications and business practices of Barnstone Advisors, LLC ["Barnstone" or "Adviser"]. If you have any questions regarding the contents of this Brochure, please contact us at or via electronic mail, to J Brinton Detwiler at [info@barnstoneadvisors.com](mailto:info@barnstoneadvisors.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. Barnstone is a 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 with which you may determine to hire or retain an adviser. Additional information about Barnstone is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2   Material Changes**

As a result of recently passed legislation, Barnstone is no longer eligible to remain federally registered with the SEC. As a result, Barnstone will be transitioning its registration to the Commonwealth of Pennsylvania. It is expected that this transition will occur prior to June 28, 2012.

Our brochure may be requested by contacting J. Brinton Detwiler, President at 610-917-2210 or [info@barnstoneadvisors.com](mailto:info@barnstoneadvisors.com). It is also available on our web site [barnstoneadvisors.com](http://barnstoneadvisors.com) free of charge. Additional information about Barnstone is available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Barnstone who are registered, or are required to be registered, as investment adviser representatives of Barnstone, if applicable.

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

Barnstone has been in business since May 2007 and offers the services described below primarily to individuals and trusts, estates, corporations and charitable organizations. The firm is owned by J. Brinton Detwiler, who serves as President and Chief Compliance Officer. As of January 1, 2012, Barnstone managed discretionary client assets valued at \$56,500,000. Barnstone did not advise any non-discretionary assets.

#### **Portfolio Management Services**

##### Financial Planning and Investment Supervisory Services

Barnstone provides financial planning and investment supervisory services to individual and institutional clients. Barnstone customizes its services based on the unique needs of each of its clients. Unless otherwise instructed by clients, investment advisory engagements involve the development of a financial plan including the compilation and assessment of all known financial assets of the client. Assets and liabilities are then analyzed within the context of the clients stated goals and risk tolerance and feedback is provided on the appropriate approach to best align objectives and resources.

While Barnstone may utilize model portfolios in constructing a client's investment strategy, individual portfolios will differ, reflecting each client's own situation with respect to such factors as: age, tax sensitivity, investment time horizon, investment restrictions, composition of assets not under our management, and frequency of rebalancing their portfolio to reflect the model portfolio.

##### Unified Managed Account Program

Barnstone participates in TD Ameritrade's ("TD") Unified Managed Account Program (the "UMA Program"). Barnstone's fee to the client is captured within the overall program fee charged by TD Ameritrade. In most cases Barnstone's fee will be less than would be charged outside this program, but that cannot be assured.

To participate in the UMA Program, Barnstone, Placemark Investments, Inc. ("Placemark"), and the individual clients may execute a tri-party agreement ("Managed Account Agreement") providing for the management of certain investor assets in accordance with the terms thereof. Pursuant to a Managed Account Agreement, the client appoints Barnstone as its investment adviser to assist the client in selecting an asset allocation strategy, that would include the percentage of investor assets allocated to designated portfolios of separate securities (each, a "Managed Account Portfolio") and may include the percentage of assets allocated to a portfolio of mutual funds, exchange-traded funds (ETFs) and other securities selected by money managers that have been selected by Barnstone. Placemark Investments, Inc. is responsible for the aggregate performance and tax reporting of the UMA as constructed by Barnstone.

The client appoints the various money managers to manage the assets in each Managed Account Portfolio in accordance with a strategy selected by the client together with Barnstone. Barnstone retains discretion over the selection of the ETF's and mutual funds employed but we consign selection of individual securities to each money manager. Barnstone has complete discretion over the selection of these managers and their performance is regularly reviewed for continued inclusion in our offerings.

Clients are free to impose various restrictions on their portfolios under management at Barnstone Advisors. Based on such restrictions, every effort is made to identify appropriate investments that honor these requests. In the case of mutual funds or ETF's where the composition of the investment may change over time, these issues are discussed in detail with the client before any final investment decisions are made.

### Alternative Investments

Adviser also provides investment advice on alternative investments such as master limited partnerships, commodity oriented ETF's and mutual funds, REITS and mutual funds that may employ "long-short" or "market neutral" strategies.

## **Item 5 Fees and Compensation**

### Financial Planning and Investment Supervisory Services

For preparation of comprehensive financial plans, Barnstone fees range from \$2,000 to \$5,000 depending on the complexity of the situation. We estimate that this equates to approximately a \$200/hr fee.

For planning clients that do not have assets under management, Barnstone invoices on an hourly or project basis after services are rendered.

In addition to this initial financial planning fee, Barnstone charges a fee of up to 1% based on assets under management. We may, at our discretion, credit a portion of the ongoing asset based fee if the client is charged an upfront financial planning fee and remains a client. Fees are standard, in line with the current fee schedule, but are negotiable, and therefore, may be changed depending on the characteristics of the case. These characteristics include, but are not limited to: the type of client account, the complexity of the case, the amount of initial and ongoing service which may be required, and the probability of future additional contributions.

Fees are payable quarterly in arrears. When assets are under management for only a portion of the quarter, clients are billed on a pro-rata basis. Generally, fees for accounts are based on the quarter end, closing market values reported by the client's custodian. Fees are negotiable depending on the particular requirements and circumstances of each account.

Clients whose accounts hold mutual funds or ETF's may be charged separate and distinct management fees related to the mutual fund or ETF. Barnstone will not receive any portion of these charges. Also, clients pay transaction costs to the custodian associated with the sale or purchase of individual securities, ETF's and mutual funds. There are no ongoing custodian fees for simply holding and reporting on client assets.

A contract may be terminated by either Barnstone or the client at any time upon written notice of termination to the other. If termination takes place within the quarter, fees will be prorated to the date of termination indicated in such notice.

#### Unified Managed Account Program

Total fees for participation in the UMA Program will range from .75% up to 1.25%. The precise fee is a function of the total amount invested in the program and the mix of products (ETF's, mutual funds and individual money managers) deployed in the strategy chosen together with the client. Therefore the client has some control over the total fee to be charged. Generally speaking, a portfolio utilizing a heavier mix of money managers will be closer to the higher end of the fee range, while one that employs more ETF's and mutual funds will be towards the lower end.

Also comprising this fee is Barnstone's asset management fee as disclosed to the client. In the UMA program Barnstone's fees range between .4% and .75%. As with its standard AUM fee, this fee is negotiable and can be adjusted to reflect the characteristics of the case.

The total fee may also include a surcharge for tax management of the portfolio, if the client chooses to add this service. This amount will range between .01% and .02%. This fee is charged by the administrator of the program, Placemark Investments Inc.

To participate in the UMA program, clients must commit a minimum of \$250,000 and individual money managers may impose minimum account balances ranging from \$50,000 to \$100,000. The client may choose to have fees deducted directly from the account or be billed separately.

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

Barnstone does not have accounts that are subject to performance-based fees.

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

Barnstone offers services to individuals and trusts, estates, and other charitable organizations. Account minimums are generally \$250,000 per account, but may be waived at our discretion.

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

Barnstone participates in TD Ameritrade's ("TD") Unified Managed Account Program (the "UMA Program"). These accounts allow us to combine the services of individual money managers with our specifically selected ETF's and mutual funds and have these all managed within one account with aggregated performance and tax reporting

Clients should be mindful that investing in securities involves risk of loss and that clients should be prepared to bear that risk.

In addition to the UMA program we also use a number of research and analytical tools to construct portfolios. Our custodian, TD, provides certain portfolio analytics on their advisor platform that we use

to perform diagnostics on current portfolios as well as those that clients will bring to us for management. These tools allow Barnstone to view the components of a portfolio using a number of metrics. We look at allocation across various sectors of the market (i.e. large cap, mid cap, small cap) geographical dispersion, volatility and historical performance. This type of analysis allows Barnstone to make adjustments to client portfolios that we feel will best suite the goals and risk tolerances that the client has expressed in the data gathering phase of the relationship.

Barnstone also subscribes to a number of research services that provide detailed analysis of individual stocks, mutual funds and ETF's. These services not only provide analysis of the security but also allow for comparisons between securities and the identification of alternative choices to investigate. Currently we subscribe to these types of services from Morningstar, S&P, Argus and Thompson Reuters.

In making selections of ETF's and mutual funds Barnstone focuses on the suitability of each vehicle to achieve the desired result for the client's portfolio. Specific factors considered include, the amount of assets in the ETF or mutual fund, the efficiency with which it trades, the cost or "expense ratio" and how it compares to similar products and the performance history of the product. Careful attention is also paid to the method with which the manager of the fund or ETF uses to select the particular securities in the fund and the relative weightings of the securities in the fund.

In cases where the purpose of the mutual fund or ETF is to track a particular index, Barnstone will consider how the index was constructed, how representative that index is of the sector in focus, how long it has been in use and how closely the fund or ETF has tracked the index over a significant and measurable period of time.

When using mutual funds there is a price risk as the funds do not trade throughout the day, but are priced at the end of the trading day. Therefore, it is possible that broad market moves between the time an order is placed and the time it is priced could result in an unexpected difference between the order price and the execution price. Barnstone utilizes its best efforts to minimize these differences but cannot ensure that it will not happen.

ETF's also carry a price risk in that they can trade either above ("premium" or below ("discount") the Net Asset Value (NAV) of the basket of securities that make up the ETF. Barnstone tries to avoid the risk of inefficient trading of ETF's by utilizing only those ETF's that have a sufficient level of assets and sufficient trading volume to minimize trading abnormalities that can create significant deviations from the NAV.

Money managers within the UMA program are chosen through the due diligence of Barnstone and materials provided by Placemark Investments, Inc. In addition to analyzing the performance of these managers against relevant benchmarks, Barnstone also relies on research conducted by Capital Markets Consultants, LLC (CMC). CMC conducts a quarterly review of each manager and reports the results directly to Barnstone. The quarterly review includes direct conversations with the managers, comparison of performance against benchmarks and detailed analysis of individual security purchases and sales within the quarter and manager justifications for making those transactions. CMC efforts are paid for by Placemark Investment through the UMA fees discussed in Item 5.

When individual securities are used in a client's portfolio either within the UMA program or outside of it, the portfolio may be subject to greater short term volatility than may be present in a portfolio of index mutual funds and ETF's. When portfolios are heavily weighted towards relatively few individual

securities any significant move up or down movement in one of those securities can have a similar effect on the performance of the entire portfolio. It is for this reason that Barnstone stresses diversification in the construction of its portfolios both within the UMA program and with those it constructs directly for clients.

Portfolios are constructed to include a number of asset classes whose historical performance is not closely correlated with one another. However market history demonstrates that in periods of extreme market volatility this principal can break down and asset class performance can become extremely similar. This systematic market risk is not something that Barnstone can predict and it is ever –present in any portfolio containing marketable securities.

#### **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 the Adviser or the integrity of its management. Barnstone has no applicable disciplinary information.

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

Barnstone has no other financial industry activities or affiliations.

#### **Item 11 Code of Ethics**

Barnstone has adopted a Code of Ethics and Personal Trading Policy in compliance with Investment Advisers Act rule 204A-1. The Adviser requires all associated persons to adhere to the highest ethical standards; placing client interest before personal interest.

Barnstone employees are not restricted from ever holding the same securities that are held in client accounts and this could be perceived as a potential conflict of interest given that Barnstone employees could favor personal accounts and/or engage in improper trading. Barnstone has controls in place and employees are required to conduct themselves in such a manner so that transactions for clients shall have priority over any personal transactions. The Code and its reporting requirements deal with applicable conflicts of interest. Personal transactions may not operate adversely to the interests of Barnstone clients. Barnstone requires employees to submit quarterly reports disclosing all trading activity of the employee or any immediate family or household member within ten (10) days of the end of each quarter. Barnstone requires access persons to report initial and annual holdings reports, and to pre-clear transactions in IPO's and private placements. In addition, Barnstone has outlined the sanctions for failing to comply with its Policies and Procedures.

A copy of the Barnstone Code of Ethics is available by contacting J. Brinton Detwiler, President at 610-917- 2210 or [info@barnstoneadvisors.com](mailto:info@barnstoneadvisors.com).



## Item 12 Brokerage Practices

### Soft Dollars

Barnstone does not engage in any soft-dollar arrangements.

### Directed Brokerage

Barnstone grants all of its existing and prospective clients the right to select the broker and/or custodian bank at which clients maintain accounts and through whom trades will be executed on behalf of such clients. In the absence of such directions, Barnstone may recommend brokers to clients based upon: expertise of brokers, market input, response time and accuracy, handling of orders, operational efficiency, competitive commission rates, and their financial standing. Barnstone feels that all of the above factors, plus the commission must be considered. We review the placement of orders to ensure that best execution has been achieved, including the ability of the broker to facilitate the order and any other factors that would be unique to the trade.

Barnstone may accept client instructions for directing the client's brokerage transactions to a particular broker-dealer. Generally clients might direct us to use brokers in a certain region or other subsector. Barnstone works within its ability to obtain best execution given the range of brokers available. Barnstone will work to negotiate commissions, attempt to obtain volume discounts or aggregate directed transactions and focus on obtaining best execution for all clients. However, directed brokerage arrangements can impair our ability to effectively negotiate on the client's behalf. Additionally, directed brokerage arrangements can involve the following disadvantages: (1) limit the benefit of Barnstone's experience in selecting broker-dealers who are able to efficiently execute difficult trades; (2) limit the client's opportunities to obtain lower transaction costs and better price opportunities by aggregating transactions for multiple clients; and (3) potentially receiving less favorable prices in situations where a transaction for a directed brokerage client occurs after an aggregated trade for other clients.

Barnstone often chooses to trade and custody client accounts at TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD"). Barnstone does not pay for various services that TD provides including research, access to software, and access to TD trading platform. In the case where there is a third party manager involved, TD charges a custody fee (that may range from .005% to .02% depending on the size of the account) which is disclosed to the client and the client has the option of having that fee billed directly to them or charged by us, and then TD deducts the custody fee from our account. TD also charges a fee of \$9.99/trade. Barnstone has a custody agreement with TD whereby TD is responsible for execution and monthly reporting of statements and Barnstone is responsible for quarterly performance reporting.

As a fiduciary, Barnstone desires to act in its clients' best interest. Barnstone utilizes TD to maintain client assets and this may benefit the Adviser due to the availability of some of these products and services and not solely on the nature, cost, or quality of custody and brokerage services provided by TD. Barnstone recognizes this as a potential conflict of interest.

## **Managed Account Portfolios**

Each separate account manager within a Managed Account Portfolio has investment discretion over that portion of the client's accounts managed by the particular manager. Disclosures concerning the manager's practices in areas such as brokerage, aggregation of orders, and use by the investment manager of "soft dollars" to obtain research products and services from broker-dealers based on customer orders placed through the brokers are provided to the client by Placemark Investments, Inc.

## **Trade Aggregation**

Aggregation or blocking of client transactions is utilized when possible to reduce overall transaction costs and is consistent with meeting our fiduciary responsibility to maximize the value of the client's portfolio. As is the case with all of our trading strategies, aggregation is utilized only when it is advantageous to the client.

## **Trade Allocation**

The allocation process for aggregated primary and secondary trades incorporates the specific guidelines and constraints of each of our clients. The allocation process must not advantage or disadvantage any of our clients. The allocation decision is determined by a myriad of factors including, but not limited to, the position size and liquidity, rating, maturity, duration, structure, and appropriateness of a particular investment in the context of a portfolio view. All clients for whom an investment is appropriate are allocated in a pro-rata fashion within the constraint of quantities prudently deemed to maximize liquidity.

## **Item 13 Review of Accounts**

From an investment perspective, all accounts are reviewed by Barnstone Advisors on a quarterly basis at a minimum. Factors that affect financial markets are reviewed daily and if portfolio changes are appropriate, action will be taken immediately. The same is true of any factor which affects a particular security and necessitates immediate action.

From a compliance perspective, accounts are reviewed at least quarterly by each investment manager in order to ensure that portfolios are invested in a manner consistent with the client's guidelines and objectives.

Client accounts may be reviewed on a more frequent basis based on such factors as market behavior, change in client goals or risk tolerance, analysis of a particular security and specific input or inquiry from clients

Quarterly or more frequent written asset statements are provided. These statements detail every holding within the client's portfolio showing the change in value since the last statement, unrealized gain or loss in the position as well as all activity that took place within the account since the last reporting period. Barnstone provides account information on a regular basis and client communication is frequent.

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

Barnstone does not have any client referral or solicitation arrangements. Persons or firms who are not clients do not receive economic benefits for providing investment advice or other advisory services to Barnstone clients other than normal and customary brokerage commissions for effecting client transactions, as described above under “Brokerage Practices.”

#### **Item 15 Custody**

Clients should receive either monthly or quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client’s investment assets. Barnstone urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

Based upon the agreement between Barnstone and clients, Barnstone may or may not have discretionary authority as to securities bought or sold or the amounts thereof. The agreement governing the account relationship will determine the Adviser’s authority. Any discretionary authority to Barnstone from a client is conferred at the outset of an advisory relationship.

In cases where Barnstone is granted discretionary authority over the management of an account Barnstone will take such actions to reflect the most up-to-date information from the client with respect to client goals, risk tolerance and the presence of any restrictions that the client has placed on the account. Under the UMA accounts, if Barnstone recommends that a money manager should be replaced, this change will be discussed with the client and the change can not be made without the expressed written approval of the client.

In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

Clients may place restrictions on discretionary authority. This often takes the form of particular screens on security selection (i.e. no tobacco or firearms etc.). Before this authority is assumed, all clients must have signed the Barnstone investment advisory agreement which details the risk and responsibilities of both parties.

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

As a matter of firm policy and practice, Barnstone does not have any authority to vote and does not vote proxies on behalf of clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients receive their proxies directly from the custodian and not from Barnstone. Upon client request, Barnstone might consider accepting such responsibility. If Barnstone were to vote proxies for any client, Barnstone would first develop a proxy voting policy, amend this form, and make the proxy policy available upon request

## **Item 18 Financial Information**

Under certain circumstances, a registered investment adviser is required to provide you with certain financial information or disclosures about its financial condition. No information is required to be provided by Barnstone as it does not have any financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.