

Item 1 – Cover Page

FORM ADV PART 2A

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March 25, 2014

This brochure provides information about the qualifications and business practices of Bluestone Capital Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (610) 337-6500 and/or ksmith@bluestonecm.com . 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 Bluestone Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Bluestone Capital Management, LLC is 157841.

Any references to Bluestone Capital Management, LLC as a registered investment adviser or its related persons as registered advisory representatives does not imply a certain level of skill or training.

Item 2 - MATERIAL CHANGES

March 25, 2014

Item 4 and 5 – Added the service “Retirement Plan Advisory Services to Plan Sponsors and Participants”.

Item 4.E – Amended assets under management.

Item 4 – Amended portfolio descriptions as follows:

Bluestone Income Portfolio – separately managed account

Bluestone Income Advantage Plus – Contains the Option Overlay Strategy described below. Objective of the managed account is income generation with a secondary objective of and capital preservation. The Bluestone Income Managed Accounts invest in exchange-traded common, preferred and debt securities. The percentage allocation to each asset class can vary considerably depending on market conditions. The strategy seeks to generate current income by selecting securities that pay dividends or interest. The accounts are managed to produce income while offering reduced volatility and a more conservative profile than an all equity portfolio. Fundamental, in-depth research is used to select securities.

Amended the Option Overlay Strategy to state the Option Overlay Strategy can be applied to the Bluestone Income Strategy and is referred to as the Bluestone Income Plus strategy. Option overlay strategies may also be added to customized portfolios if requested by the client and agreed to by Bluestone.

Bluestone Elite – separately managed accounts

The Bluestone Elite strategy attempts to identify secular (long term) bullish and bearish trends in the market and to use tactical asset management to improve the risk adjusted return over a full market cycle. The strategy may utilize ETFs, equities, fixed income, mutual funds, and preferred securities for the purposes of portfolio construction. The Manager uses a top-down approach to identify sectors that they believe will produce strong or weak relative performance to the overall market and makes investments to capitalize on these market opinions. When the manager deems it appropriate to position the portfolio defensively, this strategy considers cash to be an asset class and may allocate a significant percentage to cash and cash equivalents. The Elite strategy may not be well diversified at all times and may frequently have individual security investment concentrations over 10% of the total portfolio.

Item 4 – Added disclosure about the Aalii Fund LP.

Item 5

Amended disclosure to remove reference that a performance based fee is charged on the Bluestone Elite Strategy. However, the Aalii Fund does have performance based fees which are explained in the Private Placement Memorandum for that Fund.

Bluestone Capital Management, LLC

Item 5.D under Asset Management Services revised disclosure on fee withdrawals stating evidence of the fee withdrawal is on the custodian's statement.

Bluestone will provide each client with a report itemizing the fee, including the formula used to calculate the fee, the time period covered by the fee and the amount of assets under management on which the fee was based. This information is available on each of Bluestone's custodians' monthly statements and is accessible at any time by the client through the custodians' systems.

Item 6 – Removed disclosure that Bluestone charges a performance based fee directly to managed accounts. Added disclosure about performance based fees being part of the compensation structure in the Aalii Fund.

Item 8 – Added the following disclosure under Bluestone Elite – separately managed accounts
The strategy seeks to utilize a tactical management approach to improve risk adjusted return over the course of a full market cycle. A market cycle is a long-term pattern in the stock market. Cyclical cycles generally last 4 years through bullish and bearish conditions while secular cycles typically last 10-20 years or more. The risk tolerance of the strategy will range significantly over time from very conservative to very aggressive and will occasionally make significant allocations to cash or cash equivalents based upon the Managers views on the market.

Item 10 – Removed disclosure for Iron Bay Capital GP.

The material changes discussed above are only those changes that have been made to this brochure since the firm's last annual update of the brochure. The date of the last annual update of the brochure was March 25, 2014.

In the past, we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to 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 fiscal year, which is December 31st. We may further provide other ongoing dis-closure information about material changes as necessary.

Additionally, we will further provide you with a new brochure as necessary based on change or new information, at any time, without charge.

Our brochure may be requested free of charge by contacting Ken Smith at (610) 337-6500 and/or ksmith@bluestonecm.com. Additional information about Bluestone Capital Management, LLC is also available via the SEC's website www.adviser.sec.gov. The website also provides information about any persons affiliated with Bluestone Capital Management, LLC who are registered, or are required to be registered, as investment adviser representatives of Bluestone Capital Management, LLC.

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Item 4 - ADVISORY BUSINESS

Bluestone Capital Management, LLC (hereinafter referred to as “Bluestone”) is an investment advisory firm offering advisory services specific to a variety of individual and institutional needs.

- A. Bluestone was established in February of 2010. Bluestone was granted state investment adviser registration in September of 2011. Bluestone is wholly owned by R5 Partners, Inc. a Pennsylvania S-Corporation.
- B. Bluestone offers the following advisory services. Each of the services is more fully described below.
 - Asset Management
 - Bluestone Income Portfolio – separately managed account
 - Asset Allocation Strategy
 - Bluestone Elite – separately managed accounts
 - Analysis, Recommendation and Monitoring of Third Party Managers
 - Financial Planning and Consultative Services
 - Retirement Plan Advisory Services to Plan Sponsors and Participants
- C. Bluestone is able to tailor the advisory services it offers to your individual needs. You may impose restrictions and/or limitations on the investing in certain securities or types of securities. Bluestone generally recommends its model portfolios for clients.

Through consultations with you, Bluestone gathers personal financial data and history to develop a personalized profile. Depending on the services you have requested, Bluestone will gather various financial information and history from you including, but not limited to:

- Retirement and financial goals
 - Investment objectives
 - Investment horizon
 - Risk profile
 - Tax situation
 - Financial needs
 - Cash flow analysis
 - Cost of living needs and liquidity needs
 - Education needs
 - Savings tendencies
 - Other applicable financial information required by Bluestone in order to provide the investment advisory services requested.
- D. Bluestone does not participate in any wrap fee programs.
 - E. As of March 10, 2014, we have approximately \$119 million of client assets under our discretionary management. In addition, Bluestone acts as advisor to \$74 million of assets

on a non-discretionary basis mainly consisting of 401k participants and other retirement plans.

Asset Management Services

Upon Bluestone completing its analysis of your situation, Bluestone will determine a management program option and asset allocation based on your financial goals, objectives and risk tolerance.

Bluestone will provide continuous and ongoing management of your account. Unless otherwise expressly requested by you, Bluestone will manage the account on a discretionary basis and will make changes to the allocation as deemed appropriate by Bluestone. Bluestone will determine the securities to be purchased and sold in the account and will alter the securities holdings from time to time, without prior consultation with you. Discretionary authority will be granted by you to Bluestone by execution of an agreement with Bluestone.

If you elect to have your accounts managed on a nondiscretionary basis, no changes will be made to the allocation of your account without prior consultation with you and your expressed agreement. The risk with electing for a nondiscretionary managed account is the account may not be rebalanced timely.

You are advised transactions in the account, account reallocations and rebalancing may trigger a taxable event, with the exception of IRA accounts, 403(b) accounts and other qualified retirement accounts.

Bluestone offers other portfolio management services for clients that have highly customized needs and do not fit into one of the management options offered. Bluestone provides the following asset management options:

Bluestone Income – separately managed account

Bluestone Income Plus – Contains the Option Overlay Strategy described below.

Objective of the managed account is income generation with a secondary objective of capital preservation. The Bluestone Income Managed Accounts invest in exchange-traded common, preferred and debt securities. The percentage allocation to each asset class can vary considerably depending on market conditions. The strategy seeks to generate current income by selecting securities that pay dividends or interest. The accounts are managed to produce income while offering reduced volatility and a more conservative profile than an all equity portfolio. Fundamental, in-depth research is used to select securities.

Bluestone Asset Allocation Portfolio (“AAP”)

Bluestone offers an asset allocation investment program in the form of separately managed accounts. Bluestone has designed portfolios for five risk/return profiles referred to as “Profiles” including Conservative, Moderate, Balanced, Growth and Aggressive.

Bluestone will determine the model portfolio that best meets your suitability parameters. Your managed account will likely be similarly managed and contain similar holdings as compared to other clients' managed accounts.

Bluestone Elite – separately managed accounts

The Bluestone Elite strategy attempts to identify secular (long term) bullish and bearish trends in the market and to use tactical asset management to improve the risk adjusted return over a full market cycle. The strategy may utilize ETFs, equities, fixed income, mutual funds, and preferred securities for the purposes of portfolio construction. The Manager uses a top-down approach to identify sectors that they believe will produce strong or weak relative performance to the overall market and makes investments to capitalize on these market opinions. When the manager deems it appropriate to position the portfolio defensively, this strategy considers cash to be an asset class and may allocate a significant percentage to cash and cash equivalents. The Elite strategy may not be well diversified at all times and may frequently have individual security investment concentrations over 10% of the total portfolio..

Option Overlay

An Options Overlay strategy is a service that seeks to provide additional income and decrease the total volatility for any client portfolio. This strategy is primarily focused on writing calls on long positions of underlying equities and exchange traded funds.

The Option Overlay Strategy can be applied to the Bluestone Income Strategy and is referred to as the Bluestone Income Plus strategy. Option overlay strategies may also be added to customized portfolios if requested by the client and agreed to by Bluestone.

Customized Portfolio Management

Bluestone has the ability to offer a customized asset allocation and portfolio management strategy to individual clients. A wide variety of securities including, mutual funds, ETFs, stocks, bonds, preferreds, separate account managers and limited partnerships may be used in customized client portfolios depending on the risk and return criteria of each client.

Aalii Fund LP

The Aalii Fund LP is a Delaware limited partnership managed by Bluestone that seeks to maximize risk-adjusted returns over a full market cycle while providing significantly greater protection against major market downturns than a traditional all equity portfolio. The Fund is comprised of a tactically managed equity portfolio in combination with a diversified portfolio of absolute return focused strategies. The allocation to each component is monitored and managed closely by Bluestone in accordance with our view on where equity markets are positioned in relation to a full market cycle. The Aalii Fund LP seeks 10-15% annualized returns, net of fees, over the course of a full market cycle and attempts to provide protection against capital losses in bear and recessionary markets. The Aalii Fund LP is not designed to be benchmarked to a particular index or basket of securities.

The strategy for the Aalii Fund LP is based upon two guiding principles. The first principle is commonly referred to as “loss aversion.” This theory states that all things being equal, the effect of losing capital has a more profound negative effect on both investor psyche as well as performance in actual dollars than the positive effect of participating in the full upside of a rising market. The second principle states that diversification, although an important tool in the appropriate context, does not provide significant enough protection against major market downturns. The Manager engages in substantial due diligence in public market investments. Investments generally involve an analysis of volume, valuation, up-capture and down-capture related to benchmarks, an analysis of derivatives market and many other criteria. The fundamentals of the investments are evaluated as well as the bid/ask spread of the security including an identification of over-bought, over-sold or fair-valuation levels. Equity investments utilize a bottom up research approach as well as an in-depth analysis to determine entry and exit points.

Bluestone Clients may select the Aalii Fund LP as an investment option for their accounts and if so they will not be billed a separate advisory fee by Bluestone for their investment and will only pay the fees charged by the Fund. Bluestone Capital Management has been assigned the role of investment advisor by the Fund’s general partner whose principals are also the principals of Bluestone.

Analysis, Recommendation and Monitoring of Third Party Managed Programs

Bluestone offers the services of various third-party Investment Advisers to offer clients access to various asset management services and strategies.

Bluestone will assist client in evaluating their financial situation to aid the client in determining the suitability of a third party manager’s service. Bluestone will be available to answer questions the client may have regarding their account and act as the communication conduit between the client and the manager. Further, on an ongoing basis Bluestone will monitor and oversee the management of the account. Should Bluestone determine the manager is not managing within the strategy selected or believes a change is appropriate; Bluestone will discuss a recommendation for a new manager with the client.

A conflict of interest may exist for Bluestone to recommend the services of a third party manager who has agreed to share a portion of its management fee with Bluestone or for which Bluestone receives separate compensation. Clients are advised fees for such programs may be higher or lower than if client directly obtained the services of the third party manager or if client obtained advisory services separately. Clients should read the third party manager’s disclosure brochure for additional disclosure of its managed program.

Bluestone does not take custody of client assets. Bluestone will not directly conduct any securities transactions on behalf of the client or participate directly in the selection of the securities to be purchased or sold for the client. Investment decisions are made by the third party manager in accordance with the agreement between client and manager. Third party manager fees are as stated in their Disclosure Brochure.

Financial Planning and Consultative Services

Bluestone offers the following services.

1. Identification of financial goals and objectives
2. Collection and assessment of relevant data
3. Identification of financial problems and formulation of solutions
4. Implementation of recommendations
5. Periodic review and updates upon the client's request
6. Consultation on general financial concerns
7. Coordination with other professions the client may have involved with their financial affairs
8. Coordination with the client's family members, if requested by the client

Planning services may include analysis of your cash flow, budgeting, retirement goals, educational planning, risk management planning and financial goal setting.

Planning and consultative services are based on your financial situation at the time and are based on financial information disclosed by you to Bluestone. You are advised that certain assumptions may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. However, past performance is in no way an indication of future performance. Bluestone cannot offer any guarantees or promises that your financial goals and objectives will be met. Further, you must continue to review the plan and update the plan based upon changes in your financial situation, goals, or objectives or changes in the economy. Should your financial situation or investment goals or objectives change, you must notify Bluestone promptly of the changes. You are advised that the advice offered by Bluestone may be limited and is not meant to be comprehensive. Therefore, you may need to seek the services of other professionals such as an insurance adviser, attorney and/or accountant.

You are not obligated to implement advice through Bluestone or Advisory Representatives. Should you implement the plan with Bluestone's Advisory Representatives, commissions or other compensation may be received in addition to the advisory fee paid to Bluestone.

General Information

It is important clients read the disclosures in Item 10 – Other Financial Industry Activities and Affiliations. As Item 10 discloses, Bluestone has involvement with a partnership and manages an investment fund. The Partnership and Investment Fund are recommended and utilized in clients' portfolios. The use of securities in which Bluestone has a relationship is a conflict of interest.

You are advised the investment recommendations and advice offered by Bluestone are not legal advice or accounting advice. You should coordinate and discuss the impact of financial advice with your attorney and/or accountant. You are advised that it is necessary to inform Bluestone promptly with respect to any changes in your financial situation and investment goals and

objectives. Failure to notify Bluestone of any such changes could result in investment recommendations not meeting your needs.

Item 5 - FEES AND COMPENSATION

Asset Management Services

- A. Fees are negotiable and are not based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds in any Bluestone separate account portfolios. The Aalii Fund, which is managed by Bluestone, does have performance based fees which are explained in the Private Placement Memorandum for that Fund.

You may make additions to the Account or withdrawals from the Account, provided the Account continues to meet minimum account size requirements. No fee adjustments will be made for additional deposits, partial withdrawals, account appreciation or depreciation. Fee adjustments only made if accounts are added or closed.

Bluestone aggregates or households all of your managed accounts together to determine your quarterly fee. There are multiple Advisory Representatives under Bluestone. Each Advisory Representative determines their fee. Therefore, similar advisory services may be obtained from another Advisory Representative at a lower cost. There is no correlation between the education and business experience of the Advisory Representative and the fee charged.

Bluestone may change the fee schedules upon 30-days prior written notice to you. The fee schedules below are the maximum fees.

Customized Management

2.00% Annual Fee

Bluestone Income – separately managed account

1.25% Annual Fee (no options are used)

Bluestone Income Plus – separately managed account

1.75% Annual Fee

Bluestone Asset Allocation Portfolio

1.25% Annual Fee

Bluestone Elite

1.75% Annual Fee

Option Overlay

0.75% - If the client is participating in another management platform disclosed above.

1% Annual Fee – If the client does not participate in any other management platform disclosed above.

Accounts that do not maintain a \$100,000 aggregated account value may be charged an annual fee of \$250 paid in equal installments quarterly unless waived by Bluestone. Depending on the account balance, the annual fee may be expensive. Similar advisory services may be obtained elsewhere at a lower cost.

- B. Advisory fees will generally be collected directly from your account, provided you have given Bluestone written authorization. You will be provided with an account statement reflecting the deduction of the advisory fee direct from the account custodian. If the Account does not contain sufficient funds to pay advisory fees, Bluestone has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. You may reimburse the account for advisory fees paid to Bluestone, except for ERISA and IRA accounts. Upon your written authorization for Bluestone to deduct its advisory fees directly from your account(s), Bluestone takes the following procedures:
- 1) Bluestone will send the qualified custodian notice of the amount of the fee to be deducted from each client's account through each custodian's advisory fee system.
 - 2) Bluestone will provide each client with a report itemizing the fee, including the formula used to calculate the fee, the time period covered by the fee and the amount of assets under management on which the fee was based. This information is available on each of Bluestone's custodians' monthly statements and is accessible at any time by the client through the custodians' systems.
- C. In addition to the advisory fees above, you will pay transaction fees for securities transactions executed in your account in accordance with the custodian's transaction fee schedule. Additionally, you may pay fees for custodial services, account maintenance fees, transaction fees, and other fees associated with maintaining the Account. Such fees are not charged by Bluestone and are charged by the product, broker/dealer or account custodian. Bluestone does not share in any portion of such fees. Additionally, you may pay your proportionate share of the fund's management and administrative fees and sales charges as well as the mutual fund adviser's fee of any mutual fund they purchase. Such advisory fees are not shared with Bluestone and are compensation to the fund-manager.
- D. Advisory fees will be charged in advance of each calendar quarter or on a daily basis if supported by the custodian. The quarterly advisory fee will be based on the value of the managed portfolio on the last business day of the just completed calendar quarter. Fees for partial periods will be prorated. Therefore, the initial quarterly fee will be a pro-rated portion of the fee based on the number of days remaining in the calendar quarter. The initial fee will be calculated based on the value of the portfolio upon account establishment.

Termination Provisions

You may terminate investment advisory services obtained from Bluestone, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with Bluestone. You will be responsible for any fees and charges incurred from third parties as a result of maintaining the Account such as transaction fees for any securities transactions executed and Account maintenance or custodial fees. Thereafter, you may terminate investment advisory services upon 30 days prior written notice to terminate to Bluestone. Should you terminate investment advisory services during a calendar quarter, you will be issued a pro-rated refund of the advisory fee from the date of termination (i.e. 30 days after receipt of written notice) to the end of the calendar quarter.

Analysis, Recommendation and Monitoring of Third Party Managed Programs

Bluestone charges a maximum fee of 1%. Fees are negotiable.

In addition to Bluestone's fee, you will pay a fee to the third party manager and transaction, account maintenance, transaction fee and other account fees. The third party manager's Disclosure Brochure will further outline additional fees and expenses. There will be a cap of 3% for management fees between Bluestone and any third party manager. If the third party manager charges performance based fees then these would be in addition to the advisory fees.

Advisory fees will generally be collected directly from your account, provided you have given Bluestone written authorization. You will be provided with an account statement reflecting the deduction of the advisory fee direct from the account custodian. If the Account does not contain sufficient funds to pay advisory fees, Bluestone has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. You may reimburse the account for advisory fees paid to Bluestone, except for ERISA and IRA accounts.

Advisory fees will be charged in advance of each calendar quarter. The quarterly advisory fee will be based on the value of the managed portfolio on the last business day of the just completed calendar quarter. Fees for partial periods will be prorated. Therefore, the initial quarterly fee will be a pro-rated portion of the fee based on the number of days remaining in the calendar quarter. The initial fee will be calculated based on the value of the portfolio upon account establishment.

Termination Provisions

You may terminate investment advisory services obtained from Bluestone, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with Bluestone. You will be responsible for any fees and charges incurred from third parties as a result of maintaining the Account such as transaction fees for any securities transactions executed and Account maintenance or custodial fees. Thereafter, you may terminate investment advisory services upon 30 days prior written notice to terminate to Bluestone. Should you terminate investment advisory services during a calendar quarter, you will be issued a pro-rated refund of the advisory fee from the date of termination (i.e. 30 days after receipt of written notice)

to the end of the calendar quarter. Termination of the third party manager's services must be done in accordance with the third party manager's agreement.

Financial Planning Services

You are advised that fees for planning services are strictly for planning services. Therefore, you may pay fees and/or commissions for additional services obtained such as asset management or products purchased such as securities or insurance.

Fees are negotiable. Your fees will be dependent on several factors including time spent with Bluestone, number of meetings, complexity of your situation, amount of research, services requested and staff resources.

Maximum Fee	Payable
\$500 per hour	Fees are payable upon receiving an invoice from Bluestone, typically on a quarterly basis, and are due within 15 days of the mailing date of the invoice. Fees can either be paid by check or deducted from an existing client's account with written authorization from the client.

Termination Provisions

You may terminate advisory services obtained from Bluestone, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with Bluestone. Thereafter, you may terminate advisory services upon delivery of 30 days prior written notice to terminate to Bluestone. Any refunds due will be calculated based on services rendered.

General Information

Advisory Representatives of Bluestone are dually registered representatives with MCG Securities, LLC ("MCG"), CV Brokerage, Inc. ("CV") and Valdes & Moreno, Inc., all registered broker/dealers, member of the Financial Regulatory Association (FINRA) and SIPC. These three broker/dealers, will from here on, be referred to as "the B/Ds." Advisory Representatives of Bluestone who are Registered Representatives may receive trail commissions (i.e. 12b-1 fees) for a period of time as a result of directing securities transactions through the B/Ds. Load and no-load mutual funds may pay annual distribution charges, sometimes referred to as 12b-1 fees. 12b-1 fees come from fund assets, therefore, indirectly from your assets. 12b-1 fees may be initially paid to the B/Ds and a portion passed to the Advisory Representatives. The receipt of such fees could represent an incentive for the Advisory Representatives to recommend funds with 12b-1 fees over funds that have no fees or lower fees. As a result, there is a potential conflict of interest.

Advisory Representatives in the capacity of a registered representative of the B/Ds may recommend mutual funds that pay 12b-1 fees and no-load funds. This will only be done if the services are conducted on a commission basis through the B/Ds.

You may purchase the securities recommended by Bluestone directly or through other brokers or agents not affiliated with Bluestone.

Item 6 - PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT

Bluestone does not offer performance-based fees for separate accounts. Performance based fees are only available to Clients of the Aalii Fund LP which is managed by Bluestone. Stated fees for the Aalii Fund LP include a 2% annual management fee, paid monthly, and an annual performance fee of 20% of the gains in the account minus fees and trading costs and factoring in a high water mark feature. The annual performance fee is accrued on a monthly basis and taken once per year after the Fund's administrator has computed the final fee. Only clients who meet the definition of a Qualified Client under SEC Rule 205-3 are eligible to invest in the Aalii Fund LP.

Item 7 - TYPES OF CLIENTS

Bluestone's services are geared primarily toward institutions and individuals with high net worth (i.e. clients with a net worth of over \$2,000,000) and non-high net worth and pension and profit sharing plans.

Bluestone generally requires a minimum amount of assets be deposited to an account for the purpose of obtaining asset management services. Bluestone will generally require you to deposit a minimum of \$100,000 (cash or securities). However, under certain circumstances, Bluestone may waive the minimum account size requirement and accept accounts less than \$100,000. Such circumstances may include but not be limited to additional assets will soon be deposited or you have other accounts under management with Bluestone. You are advised performance may suffer due to difficulties with diversifying smaller accounts and due to risk controls potentially being compromised. Performance of smaller accounts may vary from the performance of accounts with more dollars invested due to fluctuations in the market may affect smaller accounts more and the effects of compounding may be greater in larger accounts.

Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

- A. Bluestone utilizes a wide variety of sources to gather, analyze and interpret information related to the securities that are invested in each client account. Bluestone may conduct conference calls or have direct contact with issuers of securities, for purposes of gathering information or performing due diligence on a particular investment opportunity. Bluestone may also utilize public filings, financial information provided by data services, third party research, and quantitative or qualitative information from other sources in its analysis. Advisor follows a large number of media sources including television, newspapers, magazines, trade journals, and Internet media to keep track of news that may affect the price of securities in client accounts

Bluestone Income— separately managed account

Bluestone uses a fundamental, bottom-up research process to find investments with superior risk adjusted yield characteristics and attractive valuations. In addition, the manager will use market intelligence to capitalize on short-term trading opportunities to generate additional income for the accounts.

Segment investments will typically consist of domestic company debt and preferred securities in a variety of industries including financial services, industrial, health care, energy and technology. In addition, equities with high dividend yields may be included in this strategy. If appropriate for the client, this strategy can include stock options via buy-writes (selling call options) on the underlying equity positions.

Bluestone Income accounts are comprised of individually selected securities and do not seek to outperform any specific index. The Manager may also trade securities over a shorter-term period where the Manager's research has uncovered opportunities. In addition to standard reference sources for information regarding economic conditions and corporate data, Advisor also subscribes to several pricing data/analysis and portfolio research services. The analysis applied by Advisor may include the use of corporate releases, as well as brokerage firm research reports and information obtained from financial periodicals and other printed media as well as research of each individual company, which may lead to company visits and consultation with competitors and informed investors within the industry in question. In addition to equities, debt securities and options, Bluestone Income accounts invest in straight-preferred and trust-preferred securities. Straight-preferred securities are equities which pay a fixed dividend, typically quarterly, that is senior to the firm's common stock dividend. Trust-preferreds are securities of cumulative preferred stock typically issued through bank holding companies. Investments in straight and trust-preferreds involve risk, including credit risk, call risk, interest rate risk and re-investment risk.

Asset Allocation Strategy

Bluestone uses mutual funds, ETFs, separate account managers and other investments to meet each Profile risk and return objectives. Bluestone uses a top-down approach to identify a sectors and portfolio strategies that they believe will produce strong relative performance to appropriate benchmarks for each risk/return Profile then utilize their experience and a proprietary research process to engage in bottom-up research to select individual managers and construct a portfolio.

Bluestone may trade securities over a shorter-term period where Bluestone's research has uncovered opportunities. The Asset Allocation Strategy aims to maintain well diversified portfolios for each Profile and keep investment turnover to a minimum when possible.

Bluestone Elite – separately managed accounts

Bluestone uses stocks, bonds, preferred securities, mutual funds, ETFs, and other investments in the Bluestone Elite accounts.

Bluestone uses a top-down approach to identify sectors that they believe will produce strong or weak relative performance to the overall market and invests accordingly. Bluestone also utilizes their experience and an in-depth research process to engage in bottom-up research to select individual securities to construct the portfolio.

The strategy seeks to utilize a tactical management approach to improve risk adjusted return over the course of a full market cycle. A market cycle is a long-term pattern in the stock market. Cyclical cycles generally last 4 years through bullish and bearish conditions while secular cycles typically last 10-20 years or more. The risk tolerance of the strategy will range significantly over time from very conservative to very aggressive and will occasionally make significant allocations to cash or cash equivalents based upon the Managers views on the market.

Bluestone may trade securities over a shorter-term period where Bluestone's research has uncovered opportunities. The Bluestone Elite accounts may not be well diversified at all times and will frequently have individual security investment concentrations over 10% of the total portfolio.

- B. You are advised investing in securities involves risk of loss, including the potential loss of principal. Therefore, your participation in any of the management programs offered by Bluestone will require you to be prepared to bear the risk of loss and fluctuating performance.

Bluestone does not represent, warrant or imply that the services or methods of analysis used by Bluestone can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that your goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Bluestone will provide a better return than other investment strategies.

- C. Bluestone primarily utilizes the following types of investments in managed portfolios stocks, bonds, Preferreds, ETFs, mutual funds, limited partnerships, and separately managed accounts. Adviser also utilizes listed options on equities, ETFs and indexes in client accounts.

The risks with mutual funds include:

- **Manager Risk:** which is the risk that an actively managed mutual fund's investment adviser will fail to execute the fund's stated investment strategy.

- Market Risk: which is the risk that the Stock Market will decline, decreasing the value of the securities contained within the mutual funds we recommend to you.
- Industry Risk: which is the risk that a group of stocks in a single industry will decline in price due to adverse developments in that industry, decreasing the value of mutual funds that are significantly invested in that industry.
- Inflation Risk: which is the risk that the rate of price increases in the economy deteriorates the returns associated with the mutual fund.

Exchange Traded Funds (ETFs) - ETFs are dependent on the efficacy of the arbitrage mechanism in order for their share price to track net asset value. While the average deviation between the daily closing price and the daily NAV of ETFs that track domestic indexes is generally less than 2%, the deviations may be more significant for ETFs that track certain foreign indexes and commodities.

Stocks – Investing in stocks involves the assumption of risk including:

- Financial Risk: which is the risk that the companies we recommend to you may perform poorly which will affect the price of your investment.
- Market Risk: which is the risk that the Stock Market will decline, decreasing the value of the securities we recommend.
- Inflation Risk: which is the risk that the rate of price increases in the economy deteriorates the returns associated with the stock.
- Political and Governmental Risk: which is the risk that the value of your investment may change with the introduction of new laws or regulations.

Bonds – Investing in bonds involves the assumption of risk including:

- Interest Rate Risk: which is the risk that the value of the bond investments we recommend to you will fall if interest rates rise.
- Call Risk: which is the risk that your bond investment will be called or purchased back from you when conditions are favorable to the bond issuer and unfavorable to you.
- Default Risk: which is the risk that the bond issuer may be unable to pay you the contractual interest or principal on the bond in a timely manner or at all.
- Inflation Risk: which is the risk that the rate of price increases in the economy deteriorates the returns associated with the bond.

Options

Use of put and call options may result in losses to an account, force the sale or purchase of account securities at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation an account can realize on its investments or cause an account to hold a security it might otherwise sell. The use of options and futures transactions entails certain other risks. In particular, the variable degree of correlation between price movements of futures contracts and price movements in the related account position of an account creates the possibility that losses on the hedging instrument may be greater than gains in the value of an account's position. In addition, options markets may not be liquid in all

circumstances and certain over the counter options may have no markets. As a result, in certain markets, an account might not be able to close out a transaction without incurring substantial losses, if at all. Although the use of options transactions for hedging should tend to minimize the risk of loss due to a decline in the value of the hedged position, at the same time they tend to limit any potential gain which might result from an increase in value of such position.

In instances where we recommend that a third party manage your assets, please refer to the third party's ADV and associated disclosure documents for details on their investment strategies, methods of analysis and associated risks.

These are some of the primary risks associated with the way we recommend investments to you, please do not hesitate to contact us to discuss these risks and others in more detail. Mutual fund fees are described in the fund's prospectus, which the custodian mails directly to the client following any purchase of a mutual fund that is new to the client's account. In addition, a prospectus is available online at each mutual fund company's Web site. At the client's request at any time Bluestone will direct the client to the appropriate Web page to access the prospectus.

Limited Partnerships

There may not be a readily accessible market for liquidation of shares or units of a program and therefore could make redemption difficult or impossible. Secondary markets for liquidation are limited and may be non-existent. Further, due to a limited or non-existent market for the programs, there is no way to accurately price unites or shares of a partnership. Every limited partnership program has established criteria as to who is qualified to invest in such a program. You may be subject to a tax liability as a result of an investment into a program and could be subject to alternative minimum tax (AMT). Because limited partnerships cannot be easily liquidated they are not suitable for a managed account.

Long-term purchases – Using a long-term purchase strategy generally assumes the Financial Markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall Financial Markets advance. Purchasing investments long-term may create an opportunity cost - “locking-up” assets that may be better utilized in the short-term in other investments.

No investment strategy can avoid loss. Investing in securities involves risk of loss that you need to be prepared to bear.

Item 9 - DISCIPLINARY INFORMATION

There is no reportable disciplinary information required for Bluestone or its management persons that is material to your evaluation of Bluestone, its business or its management persons.

Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

As previously stated, Advisory Representatives are dually registered as advisory representatives of Bluestone and as registered representatives of MCG Securities, LLC. ("MCG"). You are under no obligation to purchase or sell securities through your Advisory Representative. However, if you choose to implement the plan, commissions may be earned in addition to any fees paid for advisory services. Commissions may be higher or lower at MCG. than at other broker/dealers. Advisory Representatives may have a conflict of interest in having you purchase securities and/or insurance related products through the MCG in that the higher their production with MCG the greater potential for obtaining a higher pay-out on commissions earned.

Under the rules and regulations of the FINRA, MCG has an obligation to perform certain supervisory functions regarding certain activities engaged in by advisory representatives who are also registered representatives of the MCG. For such supervisory functions, Bluestone may pay the MCG a portion of the advisory fees they receive

R5 Partners, Inc. is a Pennsylvania S-Corp owned by Lee A. Calfo and Brian C. Shevland. R5 is the sole owner of Bluestone Capital Management, LLC and is the majority owner of MCG Securities, LLC. R5 Partners was incorporated in February of 2012 to hold Mr. Calfo and Shevland's interest in Bluestone, MCG and the Aalii Capital Partners. R5 Partners, Inc does not currently have any other business interest or function outside of Bluestone, MCG and the Aalii Capital Partners.

MCG Securities, LLC is a Pennsylvania LLC that is majority owned by R5 Partners, Inc. MCG Securities is a broker/dealer with FINRA, and was approved as such in the fourth quarter of 2012. MCG and Bluestone are affiliated through their common ownership by R5 Partners, Inc.

Bluestone Capital Management is the investment advisor of a partnership, Aalii Fund LP. Additionally, R5 Partners has significant ownership in Bluestone Capital Management, MCG Securities, LLC, Aalii Capital Partners, which is the general partner of Aalii Fund LP. Bluestone may recommend and include the Fund as part of a client's asset allocation. This is considered a conflict of interest. Should a managed client account invest in the Fund, the value of the Fund will be excluded from the client's total portfolio value for purposes of calculating Bluestone's management fee as described in Item 5 above.

Bluestone is not and does not have a related person who is a: futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities. Further, Bluestone is not and does not have a related person who is: investment company, other investment adviser or financial planner; futures commission merchant or commodity pool operator; banking or thrift institution; accountant or accounting firm; lawyer or law firm; insurance company or agency; or a real estate broker or dealer.

Ken Smith is founder and Chief Compliance Officer of Compass Financial Advisors, LLC, a registered investment adviser. Ken only advises clients in his role with Compass Financial Advisors, LLC. Ken's role is strictly that of a Chief Compliance Officer with Bluestone and MCG. Compass Financial Advisors, LLC is not affiliated with Bluestone.

As stated under Item 4, *Advisory Business* above, Bluestone recommends other investment advisers (i.e. third party managers) and will receive a portion of the fee charged to you by the investment adviser. Since Bluestone has an interest in the compensation this is considered a material conflict of interest. Bluestone selects third party managers based on several criteria including cost, type of management, past history, ability to meet a need and provide a unique service. Since the fee charged to you is based on the value of your portfolio, all parties have an incentive to work toward performance goals and objectives. Consequently, if the third party manager does not adequately manage your account and the value of your portfolio goes down, so does the third party manager's and Bluestone's compensation.

Item 11 - CODE OF ETHICS, PARTICIPATION OF INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code Of Ethics

- A. Bluestone has a fiduciary duty to you to act in your best interest and always place your interests first and foremost. Bluestone takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as Bluestone's policies and procedures. Further, Bluestone strives to handle your non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides you with Bluestone's Privacy Policy. As such, Bluestone maintains a code of ethics for its Advisory Representatives, supervised persons and staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about your transactions. Further, Bluestone's Code of Ethics establishes Bluestone's expectation for business conduct. A copy of our Code of Ethics will be provided to you upon request.
- B. Neither Bluestone nor its associated persons recommends to clients or buys or sells for client accounts any securities in which we have a material financial interest.
- C. Bluestone and its associated persons may buy or sell securities identical to those securities recommended to you. Therefore, Bluestone and/or its associated persons may have an interest or position in certain securities that are also recommended and bought or sold to you. Bluestone and its associated persons will not put their interests before your interest. Bluestone and its associated persons may not trade ahead of you or trade in such a way to obtain a better price for themselves than for you or other clients.
- D. Bluestone is required to maintain a list of all securities holdings for its associated persons and develop procedures to supervise the trading activities of associated persons who have knowledge of your transactions and their related family accounts at least quarterly. Further, associated persons are prohibited from trading on non-public information or sharing such information.

Item 12 - BROKERAGE PRACTICES

As previously stated, Advisory Representatives are registered representatives of the B/Ds. As a result they are subject to FINRA Conduct Rule 3040 which may restrict them from conducting securities transactions away from the B/Ds unless the B/Ds provides them with written authorization. Advisory Representatives have obtained approval to offer you the ability to maintain accounts through MCG and CV as well as through Charles Schwab, Fidelity, and Interactive Brokers, and Stifel Nicolaus.

Bluestone has entered into a relationship with National Financial Services, LLC and Fidelity Brokerage Services, LLC (together referred to as “Fidelity”) to participate in the Fidelity Institutional Wealth Services (“FIWS”) platform. Additionally, Bluestone has entered into a relationship with Charles Schwab & Co., Inc. (“Schwab”), Interactive Brokers, and Stifel Nicolaus. Fidelity, Schwab, Interactive Brokers, Stifel Nicolaus and Wells Fargo to provide custody, execution, and clearance and settlement services for stocks, bonds, mutual funds and other securities. Bluestone is independently owned and operated and not affiliated with Fidelity, Schwab, Interactive Brokers, or Stifel Nicolaus.

Not all investment advisers require you to maintain accounts at a specific broker/dealer. You may maintain accounts at another broker/dealer. However, the services provided by Bluestone will be limited to only advice and will not include implementation. If you select another brokerage firm for custodial and/or brokerage services you will not be able to receive asset management services from Bluestone.

In initially selecting Fidelity, Schwab, Interactive Brokers and Stifel Nicolaus, Bluestone conducted due diligence. Bluestone’s evaluation and criteria includes:

- Ability to service you
- Staying power as a company
- Industry reputation
- Ability to report to you and to Bluestone
- Availability of an efficient trading platform
- Products and services available
- Technology resources
- Educational resources
- Execution capability
- Financial responsibility and viability
- Confidentiality and security of your information
- Responsiveness
- Other factors that may bear on the overall evaluation of best price and execution

There is an incentive for Bluestone and the Advisory Representatives to recommend a broker/dealer over another based on the products and services that will be received rather than your best interest.

Bluestone may aggregate (“bunch”) transactions in the same security on behalf of more than one client in an effort to strive for best execution and to possibly reduce the price per share and/or other costs to clients. However, aggregated or bunched orders will not reduce the transaction costs to participating clients. Bluestone conducts aggregated transactions in a manner designed to ensure that no participating client is favored over another client. Participating clients will obtain the average price per share for the security executed that day. To the extent the aggregated order is not filled in its entirety and when possible, securities purchased or sold in an aggregated transaction will be allocated on a random basis. Under certain circumstances, the amount of securities may be increased or decreased to avoid holding odd-lot or a small number of shares for particular clients.

Brokerages

Schwab

Your Brokerage and Custody Costs

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. In addition to commissions, Schwab charges you a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above.

Products and Services Available to Us From Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab’s support services:

Services That Benefit You.

Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit You.

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Us.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us. We will expect to have \$10 million in client assets under management, and we do not believe that recommending our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

Fidelity

The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist Bluestone in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help Bluestone manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Bluestone may contract directly.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

Interactive Brokers

Interactive Brokers is often our recommended brokerage for new clients because of its superior trading software, lower client costs and enhanced security features. Bluestone Capital Management has no incentive to recommend Interactive Brokers nor receives any compensation from Interactive Brokers. Interactive Brokers' trading platform, Trader Workstation, allows us to efficiently manage clients' funds providing real-time market data and news. The software allows us to group clients' portfolios into models, which can then be traded simultaneously so clients receive the same timing benefit across all accounts. Additionally, Interactive Brokers provides very low cost trade execution, which benefits our clients.

Soft Dollar Benefits

As mentioned previously, we utilize proprietary research, third party research and brokerage services. These research and brokerage services enhance our investment decision process and trade execution. Research may include the following: information on the economy, industries, groups of securities and individual companies, statistical information, market data, accounting and tax law interpretations, information regarding political developments, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and other information

regarding matters that may affect the economy and/or security prices. Research may be received in the form of written reports, periodicals, investment seminars, software or computer databases.

Under the safe harbor provided in Section 28(e) of the Securities Exchange Act of 1934, we pay for this research and brokerage services with our clients' brokerage commissions (soft dollars). The use of soft dollars to pay for this research is a benefit for us because we do not have to pay for this research using our own money (hard dollars). The receipt of soft dollar benefits creates a conflict of interest because we may have an incentive to select or recommend a broker-dealer based on our desire to receive research or brokerage services rather than our clients' interest in receiving best execution.

We have policies and procedures that address and monitor the use of client commissions to pay for eligible soft dollar services. We regularly review the amount of costs allocated to brokers that provide soft dollar services. Certain items obtainable with soft dollars may not be used exclusively for research or execution services. In such a case, the cost of these products or services will be fairly allocated and we will make a good faith effort to determine the percentage of such products or services deemed investment research or brokerage services. The portion of costs not attributed to such research or brokerage services will be paid by Bluestone Capital Management, LLC.

Item 13 - REVIEW OF ACCOUNTS

- A. If you are participating in the Asset Management services you will be invited to participate in at least an annual review. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Bluestone will monitor for changes or shifts in the economy, changes to the management and structure of security in which your investment portfolio is invested, and market shifts and corrections.

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.

If you are participating in Financial Planning and Consultative Services you will not receive regular reviews. Bluestone recommends you have at least an annual review and update to any plans. However, the time and frequency of the reviews is solely your decision.

The following individuals participate in client reviews:

Lee A. Calfo, Advisory Representative,
Brian C. Shevland, Advisory Representative
James D. Harrington, CFA and Advisory Representative
John F. Mulqueen, Advisory Representative
Marne L. DeSantis, Advisory Representative
Kenneth Smith, Compliance Officer

- B. You are advised that you must notify your Advisory Representative promptly of any changes to your financial goals, objectives or financial situation as such changes may require him review the portfolio allocation and make recommendations for changes.
- C. You will be provided statements at least quarterly direct from the account custodian. Additionally, you will receive confirmations of all transactions occurring direct from the account custodian. Additionally, Bluestone will provide you with a quarterly report reflecting the performance of your managed portfolio. You should compare the report with statements received direct from the account custodian. Should there be any discrepancy the account custodian's report will prevail.

Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION

A. **Soft Dollar Benefits**

As mentioned previously, we utilize proprietary research, third party research and brokerage services. These research and brokerage services enhance our investment decision process and trade execution. Research may include the following: information on the economy, industries, groups of securities and individual companies, statistical information, market data, accounting and tax law interpretations, information regarding political developments, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and other information regarding matters that may affect the economy and/or security prices. Research may be received in the form of written reports, periodicals, investment seminars, software or computer databases.

Under the safe harbor provided in Section 28(e) of the Securities Exchange Act of 1934, we pay for this research and brokerage services with the difference in the transaction costs clients pay and what is charged to Bluestone by the broker/dealer (soft dollars). Transaction costs may be higher than those charged by other broker/dealers. The use of soft dollars to pay for this research is a benefit for us because we do not have to pay for this research using our own money (hard dollars). The receipt of soft dollar benefits creates a conflict of interest because we may have an incentive to select or recommend a broker-dealer based on our desire to receive research or brokerage services rather than our clients' interest in receiving best execution.

We have policies and procedures that address and monitor the use of client commissions to pay for eligible soft dollar services. We regularly review the amount of costs allocated to brokers that provide soft dollar services. Certain items obtainable with soft dollars may not be used exclusively for research or execution services. In such a case, the cost of these products or services will be fairly allocated and we will make a good faith effort to determine the percentage of such products or services deemed investment research or brokerage services. The portion of costs not attributed to such research or brokerage services will be paid by Bluestone Capital Management, LLC.

Bluestone Capital Management, LLC

Product vendors recommended by Bluestone may provide monetary and non-monetary assistance with client events, provide educational tools and resources. Bluestone does not select products as a result of any monetary or non-monetary assistance. The selection of product is first and foremost. Bluestone's due diligence of a product does not take into consideration any assistance it may receive.

Fidelity and Schwab provide Bluestone with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

- B. Bluestone may enter into arrangements with individuals ("Solicitor") whereby the Solicitor will refer clients who may be a candidate for investment advisory services to Bluestone. In return, Bluestone agrees to compensate the Solicitor for the referral. Compensation to the Solicitor is dependent on the client entering into an advisory agreement with Bluestone for advisory services. Compensation to Solicitor will be an agreed upon percentage of Adviser's advisory fee. Adviser's referral program is in compliance with the federal regulations as set out in 17 CFR Section 275.206(4)-3. The solicitation/referral fee is paid pursuant to a written agreement retained by both Bluestone and the Solicitor. The Solicitor will be required to provide the client with a copy of Bluestone's Form ADV Part 2 and a Solicitor Disclosure brochure prior to or at the time of entering into any investment advisory contract with Bluestone. Solicitor is not permitted to offer clients any investment advice on behalf of Bluestone. A client's advisory fee will not be increased as a result of compensation being shared with Solicitor.

Item 15 - CUSTODY

With the exception of deduction of Bluestone's advisory fees from your accounts, Bluestone does not take custody of your funds or securities.

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct your account custodian to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account. Your account custodian maintains actual custody of your assets. You will receive account statements directly from your account custodian at least quarterly. They will be sent to the email or postal mailing address you provided. You should carefully review those statements promptly when you receive them.

Item 16 - INVESTMENT DISCRETION

You may grant Bluestone authorization to manage your account on a discretionary basis. Discretionary authority will give Bluestone the authority to buy, sell, exchange and convert securities in your managed accounts. You will grant such authority to Bluestone by execution of the advisory agreement. Discretionary authorization will provide Bluestone the authority to determine the securities to be purchased, sold and exchanged, the amount of the transaction and

the timing of the transaction. You may terminate discretionary authorization at any time upon receipt of written notice by Bluestone.

Additionally, you are advised that:

- 1) You may set parameters with respect to when account should be rebalanced and set trading restrictions or limitations;
- 2) Your written consent is required to establish any mutual fund, variable annuity, or brokerage account;
- 3) With the exception of deduction of Bluestone's advisory fees from the account, if you have authorized automatic deductions, Bluestone will not have the ability to withdraw your funds or securities from the account.

Item 17 - VOTING CLIENT SECURITIES

As a matter of general policy, clients will vote their own proxies. Bluestone may provide information or advice with regard to proxy issues. However, the client will make the final decision as to how to vote a particular proxy. Unless you suppress proxies, securities proxies will be sent directly to you by the account custodian or transfer agent. You may contact Bluestone about questions you may have or opinions on how to vote the proxies.

Upon specific client request, and at Bluestone's sole discretion, clients may elect to have Bluestone vote proxies on their behalf. Under these circumstances, Bluestone maintains a specific proxy voting policy regarding the method in which proxies are voted. In addition, Bluestone will maintain specific records as to how proxies were voted for clients, and clients may request to see these records. Clients may also request to receive a copy of Bluestone's Proxy Voting Policies, by sending a written request to Bluestone. If you designate Bluestone to vote proxies, you are advised of the following:

1. As a general policy, votes will be cast in a way so as to act in the best interest of the client.
2. On certain occasions, Bluestone may determine not vote a proxy would be in the best interests of its clients. Proxies will be voted consistently. Generally, issues related to executive compensation, incentive stock options, executive recruiting or any matter giving the company latitude in compensation matters or similar matters that could potentially be used to act in the company's best interest rather than clients' best interest will typically be voted no. Neutral issues such as the retention or appointment of accounting or audit services are typically voted yes.

Item 18 - FINANCIAL INFORMATION

- A. Bluestone will not require you to prepay more than \$1,200 and six or more months in advance of receiving the advisory service.
- B. As stated above, Bluestone has discretionary authority over client accounts; however that authority does not extend to the withdrawal of any client assets, with the exception of deduction of Bluestone's advisory fees from your accounts. We are financially stable. There

Bluestone Capital Management, LLC

is no financial condition that is likely to impair our ability to meet our contract actual commitment to you or any other client.

- C. Neither Bluestone nor any of its Advisory Representatives has ever been the subject of a bankruptcy petition.