

**Item 1: Cover Page for Part 2A of Form  
ADV: Firm Brochure  
March 2015**

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This brochure provides information about the qualifications and business practices of Cornerstone Financial Advisors. If you have any questions about the contents of this brochure, please contact by telephone at 704-987-3410 or email at [crubrecht@cfpwealthplan.com](mailto:crubrecht@cfpwealthplan.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 Cornerstone Financial Advisors is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that the use of the term "registered investment adviser" and description of Cornerstone Financial Advisors and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our employees.

## **Item 2: Material Changes to Our Part 2A of Form ADV: Firm Brochure**

Cornerstone Financial Advisors is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Brochure, and we must provide the date of the last annual update of our Brochure.

Since our last annual update on 3/27/2014, we have clarified the billing practice for retirement accounts in that fees are negotiable, deducted from your account or in rare cases paid directly to us, 45-day termination of services for client non-payment, and Fidelity was added to Item 15 to state that similarly to LPL, Fidelity sends quarterly statements. We have also added Charles Schwab and Co. Inc. as a recommend custodian. Our fees schedule for Retirement Plan Consulting has changed. Please see Item 5 from more information and options.

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

We specialize in the following types of services: wrap comprehensive portfolio management, pension consulting and Management of Variable Annuity Sub-accounts. We manage \$777,490,000 on a discretionary basis and \$2,400,000 on a non-discretionary basis as of December 2014.

We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a corporation formed in the State of North Carolina. Our firm has been in business as an investment adviser since 2011 and is owned as follows:

Andrew Smith - Twenty-five percent Owner  
Craig Rubrecht - Twenty-five percent Owner  
Jeffrey Carbone - Twenty-five percent Owner  
Brian Needleman - Twenty-five percent Owner

#### **Description of the Types of Advisory Services We Offer**

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##### **Wrap Comprehensive Portfolio Management:**

We are only offer a wrap comprehensive portfolio management service which is described separately in our Part 2A, Appendix 1 (the "Wrap Fee Program Brochure"). We have legacy client with advisory accounts that we manage and transactions are separate.

##### **Retirement Plan Consulting:**

We provide retirement plan consulting services to employer plan sponsors on an ongoing basis. Generally, such consulting services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: investment options, plan structure and participant education.

All retirement plan consulting services shall be in compliance with the applicable state laws regulating pension consulting services. This applies to client accounts that are retirement or other employee benefit plans ("Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the client accounts are part of a Plan, and we accept appointments to provide our services to such accounts, we acknowledge that we are a fiduciary within the meaning of Section 3(21) or 3(38) of ERISA as designated by the Retirement Plan Consulting Agreement with respect to the provision of services described therein.

In cases of Plans offering participants the option of using our Employee Advice Solution for discretionary investment management services, we will enter into a separate agreement with that participant, describing our services and fees for that service. Participants will need to provide information to help us understand their investment objectives. In providing this service, we are deemed to be a fiduciary and an investment manager as defined in ERISA Section 3(38).

### **Management of Variable Annuity Sub-accounts ("VA Option"):**

We also provide management services with respect to previously purchased variable annuity subaccounts. If a client chooses to utilize this VA Option, the client will authorize our firm on a discretionary basis to reallocate subaccounts within the client's variable annuity pursuant to investment objectives chosen by the client. Our firm will obtain the necessary financial data from the client, assist the client in determining the suitability of utilizing this VA Option, and assist the client in setting an appropriate investment objective for the management of the assets. Our firm will determine in our sole discretion if the client would benefit from this option. There is no additional charge for this VA Option.

### **Financial Planning & Consulting:**

We provide a variety of financial planning and consulting services to individuals, families and other clients regarding the management of their financial resources based upon an analysis of the client's current situation, goals, and objectives. Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Cost Segregation Study, Corporate Structure, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

Our written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. For written financial planning engagements, we provide our clients with a written summary of their financial situation, observations, and recommendations. For financial consulting engagements, we usually do not provide our clients with a written summary of our observations and recommendations as the process is less formal than our planning service. Plans or consultations are typically completed within six (6) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client.

### **Tailoring of Advisory Services**

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We offer individualized investment advice to our Wrap Comprehensive Portfolio Management clients and those in the VA Option. We offer general investment advice to clients utilizing our Retirement Plan Consulting service, VA Option and Financial Planning and Consulting.

We usually do not allow clients to impose restrictions on investing in certain securities or types of securities due to the level of difficulty this would entail in managing their account. Please inquire with your advisor about restrictions you wish to place in your accounts.

## Participation in Wrap Fee Programs

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We offer wrap fee programs as further described in Part 2A, Appendix 1 (the “Wrap Fee Program Brochure”) of our Brochure. Our wrap fee and non-wrap fee accounts are managed on an individualized basis according to the client’s investment objectives, financial goals, risk tolerance, etc. We do not manage wrap fee accounts in a different fashion than non-wrap fee accounts. As further described in our Wrap Fee Program Brochure, we receive a portion of the wrap fee for our services.

## Item 5: Fees & Compensation

### How We Are Compensated for Our Advisory Services

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We are required to describe our brokerage, custody, fees and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you. Our fees are generally not negotiable.

#### Wrap Comprehensive Portfolio Management:

Our wrap comprehensive portfolio management service is described separately in Part 2A, Appendix 1 (the “Wrap Fee Program Brochure”).

#### Retirement Plan Consulting:

Fees for Retirement Plan Consulting services are based on a percentage of Plan assets according to the tiered schedule below. Clients with Plan assets over \$5M can opt to have TPA fees included in our fees for an additional 0.05% for 3(38) plans to the fee schedule below. The negotiated rate may vary due to multiple locations or additional services rendered.

<u>Value of Plan assets</u>	<u>Annualized Percentage</u>
\$0 - \$1M	0.75%
\$1M to \$2M	0.50%
\$2M to \$5M	0.40%
\$5M to \$7M	0.30%
\$7M to \$10M	0.25%
\$10M to \$15M	0.20%

\$15M to \$50M we reduce our fee 0.01% for every \$5M  
Over \$50M we offer custom pricing

Our firm’s fees are billed on an annualized basis monthly/quarterly in advance based on the value of plan assets on the last day of the previous month/quarter. Fees are negotiable and are deducted from your account. On rare occasions we allow direct billing. If no response or payments are received within 45 days services will be terminated and no future updates will be provided. Additionally, there is a negotiated first year transition expense fee intended to cover additional services required during set up.

The fee-paying arrangements for consulting service will be determined on a case-by-case basis and will be detailed in the signed Retirement Plan Consulting Agreement.

**Management of Variable Annuity Sub-accounts ("VA Option"):**

We do not charge a fee for our VA Option. However, it should be noted that the annuity holder may impose transaction fees once a certain number of transactions have been executed. The details of the fees that may be associated with this service shall be outlined in the annuity product provider's prospectus.

**Financial Planning & Consulting:**

We charge on a flat fee basis for financial planning and consulting services. The ultimate fee that we charge you is based on the scope and complexity of our engagement with you. Our fees are negotiable and determined in the Financial Planning and Consulting Agreement. We require a retainer of fifty percent (50%) of the estimated total financial planning or consulting fee with the remainder of the fee due to us upon delivery of your financial plan/consultation. Planning/consulting services will automatically renew on an annual basis unless Client terminates the service.

**Other Types of Fees & Expenses**

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Non-Wrap fee Clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm that the trades are executed through. Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

Wrap fee clients will receive our Form ADV, Part 2A, Appendix 1 (the "Wrap Fee Program Brochure"). Wrap fee clients will not incur transaction costs for trades. More information about this is disclosed in our separate Wrap Fee Program Brochure.

**Termination & Refunds**

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In the event that you wish to terminate our services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will initiate the process to close out your account and issue a pro-rata refund of unearned advisory fees, if any. For fees charged in arrears, you will be invoiced for all services provided.

**Commissionable Securities Sales**

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The majority of our supervised persons are also registered representatives of LPL Financial, member FINRA/SIPC and may accept compensation for the sale of securities or other investment products, including distribution or service ("trail") fees from the sale of mutual funds in non-advisory accounts. Clients should be aware that the practice of accepting commissions for the sale of securities creates an incentive to recommend products based on compensation received. To mitigate this potential, our dually registered persons, as fiduciaries, shall act in the clients' best interest at all times.

## **Item 6: Performance-Based Fees & Side-By-Side Management**

We do not charge performance fees to our clients.

## **Item 7: Types of Clients & Account Requirements**

We have the following types of clients:

- Individuals and High Net Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Retirement Plans;
- Corporations, limited liability companies and/or other business types

Our requirements for opening and maintaining accounts or otherwise engaging us:

- We generally require a minimum account balance of \$30,000 for our Wrap Comprehensive Portfolio Management. Generally, this minimum account balance requirement is not negotiable and would be required throughout the course of the client's relationship with our firm.
- LPL sponsored programs require a minimum account balance. Please see Item 4B(ii).
- The minimum account size for our VA Option service is \$25,000. In the event client withdrawals cause the subaccount asset value to fall below the required minimum, the client understands the VA Option agreement may be subject to immediate termination under the provisions of the VA Option Agreement. The client understands that asset withdrawals may impair the achievement of the client's investment objectives.

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

### **Methods of Analysis**

- Fundamental;
- Technical;
- Cyclical.

Our firm will utilize several disciplines of analysis. On occasion we will use a technical analysis for forecasting the direction of prices through the study of past market data, primarily price and volume by examining what investors fear or think about those developments and whether or not investors have the wherewithal to back up their opinions as opposed to a fundamental analysis which examines earnings, dividends, new products, research and the like. Technical analysis is frequently contrasted with fundamental analysis and each has limitations because of assumptions about the market. We enlist a more rational approach by utilizing both types of analyses. Studying recurring, preferably periodic, movements in prices or other time series or cyclical analysis may also be incorporated in our methods of analysis. Cyclical may too narrowly predict price without integrating relevant factors. We strive to avoid risks of any one method by incorporating several methods.



## **Investment Strategies We Use**

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- Long term purchases (securities held at least a year);
- Short term purchases (securities sold within a year);
- Trading (securities sold within 30 days);
- Short sales.

Our firm will make long term purchases (securities held at least a year), short term purchases (securities sold within a year), and trading (securities sold within 30 days). Generally there is more risk involved with shorter trading. We also use short sales to implement our strategies in which we would hope to make a profit from prices going down. The related risks occur when the price of the assets rises. There may also be costs for shorting such as a fee for borrowing the assets and payment of any dividends on the borrowed assets.

## **Risk of Loss**

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Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, that your portfolios are appropriately diversified in your investments. Please ask us any questions you may have regarding risk of loss.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to wrap comprehensive portfolio management.

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

## **Item 10: Other Financial Industry Activities & Affiliations**

Some of our advisory affiliates are registered representative of LPL Financial Corporation, member FINRA/SIPC. They may offer securities and receive normal and customary commissions as a result of securities transactions. This presents a conflict of interest to the extent that the advisory affiliate recommends that a client invest in a security which results in a commission being paid to the advisory affiliate.

Certain of our firm's Advisory Affiliates, in their individual capacities, are also licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully disclosed commission basis, the purchase of certain insurance products. While our firm does not sell such insurance products to our investment advisory clients, we permit our Advisory Affiliates, in their individual capacities as licensed insurance agents, to sell insurance products to our investment advisory clients. A conflict of interest exists to the extent that our firm recommends the

purchase of insurance products where our firm's Advisory Affiliates receive insurance commissions or other additional compensation.

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

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates. Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

Further, our related persons may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day. If related persons' accounts are included in a block trade, our related persons will always trade personal accounts last.

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<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

## Item 12: Brokerage Practices

### Selecting a Brokerage Firm

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Research services provided
- Ability to provide investment ideas
- Execution facilitation services provided
- Record keeping services provided
- Custody services provided
- Frequency and correction of trading errors
- Ability to access a variety of market venues
- Expertise as it relates to specific securities
- Financial condition
- Business reputation
- Quality of services

With this in consideration, our firm has an arrangement with LPL Financial, National Financial Services LLC and Fidelity Brokerage Services LLC as well as Charles Schwab & Co., Inc. (collectively, and together with all affiliates, "Custodian") through which we are provided with "institutional platform services." Custodian offers services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions.

Custodian may make certain research and brokerage services available at no additional cost to our firm all of which qualify for the safe harbor exemption defined in Section 28(e) of the Securities Exchange Act of 1934. These services may be directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by Custodian may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Custodian to our firm in the performance of our investment decision-making responsibilities.

We do not use client brokerage commissions to obtain research or other products or services. The aforementioned research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

As a result of receiving these services, we may have an incentive to continue to use or expand the use of Custodian services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with Custodian and we have determined that the relationship is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

Custodian charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Custodian enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Custodian commission rates are generally discounted from customary retail commission rates. The commission and transaction fees charged by Custodian may be higher or lower than those charged by other custodians and broker-dealers.

Our non-wrap fee program clients may pay a commission to Custodian that is higher than another qualified broker dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

### **Soft Dollars**

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Although the investment research products and services that may be obtained by our firm will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

Our firm does not accept products or services that do not qualify for Safe Harbor outlined in Section 28(e) of the Securities Exchange Act of 1934, such as those services that do not aid in investment decision-making or trade execution.

### **Client Brokerage Commissions**

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We do not acquire client brokerage commissions (or markups or markdowns).

### **Procedures to Direct Client Transactions in Return for Soft Dollars**

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We do not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

### **Brokerage for Client Referrals**

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Our firm does not receive brokerage for client referrals.

### **Directed Brokerage**

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Neither we nor any of our firm's related persons have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. We routinely recommend that a client directs us to execute through a specified broker-dealer. Our firm recommends the use of LPL Financial, National Financial Services LLC and Fidelity Brokerage Services LLC as well as Charles Schwab & Co. Inc. Each client will be required to establish their

account(s) with their selected custodian, if not already done. Please note that not all advisers have this procedure.

### **Permissibility of Client-Directed Brokerage**

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We do not allow client-directed brokerage outside our custodial recommendations.

### **Special Considerations for ERISA Clients**

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A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

### **Execution of Brokerage Transactions (when applicable)**

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Over-the-Counter (OTC) securities transactions for our clients are generally effected based on two (2) separate broker-dealers: (1) a "dealer" or "principal" acting as market-maker; and (2) the executing broker-dealer that acts in an agency capacity for the client's account. Dealers executing principal transactions typically include a mark-up/down, which is included in the offer or bid price of the securities purchased or sold. In addition to the dealer mark-up/down, the client may also incur the transaction fee imposed by the executing broker-dealer. We do not receive any portion of the dealer mark-up/down or the executing broker-dealer transaction fee.

Transactions for each client account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine or "batch" such orders to obtain "best execution", to negotiate more favorable commission rates, to allocate fairly among the clients' differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day. To the extent that we determine to aggregate client orders for the purchase or sale of securities, including securities in which our principals) and/or associated persons) may invest, we shall generally do so in accordance with the parameters set forth in SEC No-Action Letter, SMC Capital, Inc. We shall not receive any additional compensation or remuneration as a result of the aggregation.

Although such aggregated orders potentially could be either advantageous or disadvantageous to any one or more particular accounts, they are affected only when we believe that to do so will be in the best interest of the effected accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

### **Item 13: Review of Accounts or Financial Plans**

We review accounts on at least a quarterly basis for our clients for whom we manage assets. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Financial Planning clients who receive ongoing planning services will receive annual reviews. Only our Financial Advisors or Portfolio Managers will conduct reviews. We do not provide written reports to clients, unless asked to do so. Oral reports to clients take place on at least an annual basis when we contact our clients for whom we manage assets.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

### **Item 14: Client Referrals & Other Compensation**

#### **Referral Fees**

We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940.

#### **Additional Compensation**

We may receive from Custodian or a mutual fund company, without cost and/or at a discount support services and/or products, to assist us to better monitor and service client accounts maintained at such institutions. Included within the support services we may receive investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by us to assist us in our investment advisory business operations.

Our clients do not pay more for investment transactions effected and/or assets maintained at Custodian as result of this arrangement. There is no commitment made by us to either custodian or any other institution or fund company as a result of the above arrangement.

### **Item 15: Custody**

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. All of our clients receive at least quarterly account statements directly from their custodians. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information. If we decide to also send account statements to clients, such notice and account statements include a legend that

recommends that the client compare the account statements received from the qualified custodian with those received from our firm.

**Additional Information Regarding Custody:**

LPL, Fidelity and Schwab are qualified custodians and maintain custody of client funds and securities in a separate account for each client under the client's name. Your qualified custodian sends account statements showing all transactions, positions, and all deposits and withdrawals of principal and income. LPL sends account statements monthly when the account has had activity or quarterly if there has been no activity. Fidelity sends account statements monthly when the account has had activity or quarterly if there has been no activity. Charles Schwab sends statements on a monthly basis regardless of whether or not there has been activity. Clients should carefully review those account statements.

Although most securities available in program accounts at the Custodian, there are certain securities managed as part of the account that are held at third parties. For example, variable annuities, hedge funds and managed futures are often held directly with the investment sponsor. For those outside positions, client will receive confirmations and statements directly from the investment sponsor.

**Additional Information for clients ("Client") regarding custody for accounts utilizing our Sub-Adviser of Variable Annuities ("VA Option"):**

Variable annuity subaccount assets are maintained by the insurance company issuing the variable annuity. Therefore, the insurance company selects the custodian(s) for subaccounts assets, which are generally mutual fund companies. Although our firm and our IAR may have provided brokerage services to Client in the purchase of the variable annuity, and the variable annuity and its value would generally appear below the line (i.e., underneath assets which are being billed an advisory fee) on any holding reports.

Client understands that our firm and our IAR will not have or take custody of the subaccount assets at any time. Also, Client will receive confirmations and account statements relating to the variable annuity directly from the variable annuity insurance company. Client is encouraged to review the confirmations and statements received from the insurance company and compare the account information (e.g., market value, transactions, and other inflows and outflows) with the information including the statements received from our firm and advise us immediately of any discrepancies. Client should also advise the insurance company or our firm immediately if statements are not being received from the insurance company.

Client will not receive separate performance reports in connection with the investment advisory services provided by our firm and IAR. Therefore, Client should review the account statements provided by the insurance company to determine the performance of the subaccount assets from one period to another, and over time.

**Item 16: Investment Discretion**

We accept discretionary authority to manage securities accounts on behalf of clients. Our clients need to sign a discretionary investment advisory agreement with our firm for the management of

such accounts. This type of agreement only applies to asset management clients. We do not take or exercise discretion with respect to our other clients.

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

We do not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

#### **Item 18: Financial Information**

We do not require nor do we solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore we have not included a balance sheet for our most recent fiscal year. Cornerstone Financial Partners, Inc. has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.