

Form ADV Part 2A: Firm Brochure

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This brochure provides information about the qualifications and business practices of Cornerstone Trust Management Services LLC (“Cornerstone”). Cornerstone is registered as an Investment Adviser with the United States Securities and Exchange Commission (“SEC”). Registration with the SEC alone does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at (215) 826-2800 or fmill@stonemor.com. The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Additional information about Cornerstone is available on the SEC’s website at www.adviserinfo.sec.gov.

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Advisory Business

Cornerstone Trust Management Services LLC (“Cornerstone”) commenced its investment advisory business in May of 2014. Cornerstone is a wholly-owned indirect subsidiary of StoneMor Partners L.P., a publicly traded limited partnership on the New York Stock Exchange (“StoneMor”), headquartered in Levittown, Pennsylvania. StoneMor is a leading provider of funeral and cemetery merchandise and services and burial spaces in the United States and Puerto Rico. StoneMor is also the second largest owner and operator of cemeteries and funeral homes in the United States and Puerto Rico. Those merchandise and services and burial spaces are provided and the cemeteries and funeral homes are owned and operated through entities that are indirectly owned, controlled and/or managed by StoneMor. As used hereafter, “StoneMor” refers to StoneMor Partners L.P. and its subsidiaries and affiliates.

Cornerstone’s sole direct owner is Cemetery Management Services, L.L.C., whose sole direct owner is Henlopen Memorial Park Subsidiary LLC, whose sole direct owner is Cornerstone Family Services of West Virginia Subsidiary, Inc., whose sole direct owner is Cornerstone Family Services of West Virginia LLC, whose sole direct owner is StoneMor Operating LLC, whose sole direct owner is StoneMor Partners L.P.

StoneMor has a significant amount of assets in preneed merchandise and services trust and escrow accounts and perpetual care trust accounts. The funds in preneed merchandise and services trust and escrow accounts are generally payable to StoneMor upon delivery of the merchandise and performance of the services to which they pertain. The income from the perpetual care trust accounts is generally payable to StoneMor to provide perpetual care to the cemeteries to which they pertain. The purpose of Cornerstone’s investment advisory business is to provide investment advisory and other services to the banking financial institution trustees and escrow agents of such trusts and escrow accounts (the “Trustees”).

The Trustees desiring such services will contract with Cornerstone to provide investment advisory, trust and escrow account accounting, trust and escrow account oversight, trust and

escrow account performance monitoring and/or other ancillary functions covering StoneMor's trust and escrow account assets. Cornerstone will subcontract certain investment advisory functions to other advisors, and currently subcontracts with Hillview Capital Advisors, LLC for investment advice, including performance monitoring, market overviews and outlooks, risk and exposure and trust and escrow fund summaries. Trust and escrow accounting services and ancillary functions currently are subcontracted with StoneMor Operating LLC (or its designated affiliate(s)).

As set forth hereafter in the Methods of Analysis, Investment Strategies, and Risk of Loss section of this brochure, Cornerstone will tailor its advisory services to the varying purposes of the preneed merchandise and services trusts and escrows (e.g., to preserve funds to pay for future delivery of merchandise and performance of services) and perpetual care trusts (e.g., to generate income for perpetual care of cemeteries).

The composition of the trust and escrow account funds is dependent upon the investment goals of the underlying trust and escrow accounts, as well as state law mandating such trusts and escrow accounts, and may be comprised of one or more of the following security types or other types of investments mandated or permitted by state law governing such trust and escrow accounts:

- Money market funds that invest in low risk short term securities,
- Publicly traded mutual funds that invest in underlying debt securities,
- Publicly traded mutual funds that invest in underlying equity securities,
- Equity investments that are currently paying dividends or distributions, including real estate investment trusts, master limited partnerships and global equity securities,
- Fixed maturity debt securities issued by various corporate entities,
- Fixed maturity debt securities issued by the United States government and United States government agencies, and
- Fixed maturity debt securities issued by State and local governmental agencies.

As of December 31, 2014, the trust and escrow account assets of StoneMor were equal to approximately \$ 0.83 billion. All such assets will be managed by Cornerstone on a non-

discretionary basis, which means that all investment decisions will ultimately be made by the respective Trustees of the trust and escrow account funds and not by Cornerstone.

Fees and Compensation

Cornerstone is customarily compensated on the basis of fees calculated as a percentage of assets under management. Cornerstone's fees range from 0.25% to 1.5% of assets under management. All such fees are subject to negotiation with the respective Trustees.

Cornerstone's fees are assessed and payable monthly. Fees are not deducted by Cornerstone from trust and escrow funds, but are billed by Cornerstone to the Trustees for payment by the Trustees. Fees may be paid in advance, but need not be. In the event that a Trustee chooses to cancel their advisory agreement with Cornerstone before the end of a billing period, any prepaid fees will be prorated through the end of the period and refunded by Cornerstone to the Trustee.

Sub-advisory fees, including those of Hillview Capital Advisors, LLC and StoneMor Operating LLC (or its designated affiliate(s)), and certain administrative and recordkeeping expenses associated with Cornerstone's investment advisory services to the Trustees, will generally be paid by Cornerstone out of the fees received by Cornerstone from the Trustees. Custodial fees, brokerage fees and investment management fees (other than those of Hillview Capital Advisors, LLC) are paid directly by each Trustee to the third party provider of the same, who are not affiliated with Cornerstone. See the Brokerage Practices section of this brochure hereafter. Cornerstone does not receive any fee or commission from the sale of investment products that Cornerstone recommends to the Trustees, nor does Cornerstone participate in wrap fee programs. Managing trust and escrow fund assets on a fee basis is Cornerstone's sole business.

Performance-Based Fees And Side-By-Side Management

Cornerstone's fees are based on the value of portfolio assets at the end of each calendar month. Cornerstone does not receive any fees or other compensation based upon the investment performance of accounts. Neither Cornerstone nor any of its supervised persons

manage both accounts that are charged a performance-based fee (and in fact do not manage any accounts that are charged a performance-based fee) and accounts that are charged another type of fee.

Types of Clients

Cornerstone provides investment management services to the banking financial institution Trustees managing preneed merchandise and services trust and escrow assets and perpetual care trust assets for StoneMor. These trusts and escrow accounts include purpose-related trust and escrow accounts and common trust and escrow account funds made up of purpose-related trusts and escrow accounts.

Methods of Analysis, Investment Strategies, and Risk of Loss

Cornerstone, through its affiliation with StoneMor, possesses experience in traditional portfolio management, and plans to retain sub-advisors with similar expertise. Through Cornerstone and sub-advisors, Cornerstone develops written investment strategies and objectives for funds held in preneed merchandise and services trusts and escrows and perpetual care trusts, specified in investment policy statements setting forth Cornerstone's expectations, objectives, tolerances for risk and guidelines in the investment of trust and escrow assets, setting forth a disciplined and consistent structure for managing all trust and escrow assets based upon a long-term asset allocation strategy, which is diversified across asset classes, investment styles and strategies. This structure is intended to meet the stated objectives within specified tolerances for risk and variability. This structure also includes ranges around the target allocations allowing for adjustments when appropriate to reduce risk or enhance returns. It further includes guidelines for the selection of investment managers and vehicles through which to implement the investment strategy.

The investment policy statements provide specific guidelines for each investment manager. These guidelines control the level of overall risk and liquidity assumed in each portfolio.

Cornerstone appoints a third-party investment advisor or advisors to oversee the specific investment managers and advise Cornerstone. The investment policy statements establish criteria to monitor, evaluate and compare the performance results achieved by the overall trust and escrow portfolios and by the investment managers. This allows Cornerstone to compare the performance results of the trusts and escrows to Cornerstone's objectives and other benchmarks, including peer performance, on a regular basis.

Cornerstone's investment guidelines are based on relatively long investment horizons, which vary with the type of trust and escrow. The strategic asset allocation of the trust and escrow portfolios is also based on this longer-term perspective. However, in developing investment policy, Cornerstone takes into account the potential negative impact of significant short-term declines in market value. The intent is to maintain consistent values in the portfolios, with a strategy intended to maximize returns and earnings without experiencing overall declines in value below stated objectives. In order to consistently achieve the stated return objectives within stated tolerances for risk, Cornerstone uses a strategy of allocating appropriate portions of the portfolios to a variety of asset classes with attractive risk and return characteristics, and low to moderate correlations of returns.

The primary risks related to the assets in the perpetual care trusts are possible reductions to the income available for distribution to StoneMor to defray cemetery maintenance costs. The primary risks related to preneed merchandise and services trust and escrow assets are declines in fair value, both temporary and other-than-temporary, which may ultimately impair the amounts of distributions to StoneMor for merchandise delivered and services performed.

Managing the cash flow associated with the release of trust and escrow assets and investment income is a critical component of Cornerstone's strategy. Cornerstone's investment strategy reflects the fact that the release of trust and escrow assets and the resultant cash flow is critical to meeting investment goals and liquidity needs. Accordingly, Cornerstone sets such strategy to balance the potential for return with the need to maintain asset value. Cornerstone mitigates this risk by recommending that sufficient portions of trust and escrow assets are

invested in cash and cash equivalents that do not have significant risk to principal. Cornerstone can then manage trust and escrow assets so that released amounts are liquidated from this pool as opposed to any pool of assets that are currently valued below cost.

In summary, Cornerstone's overall investment approach is intended to generate strong long-term investment returns without assuming undue risk, while ensuring that management of the preneed merchandise and services trust and escrow accounts and perpetual care trust accounts assets are in compliance with state laws. Cornerstone's approach is conservative in nature, however, risk is inherent in any investment program and, as a result, the investment returns in trust and escrow account assets will fluctuate and assets may lose value.

Disciplinary Information

Neither Cornerstone nor any of its management persons have any legal or disciplinary event to disclose.

Other Financial Industry Activities and Affiliations

Neither Cornerstone nor any of its management persons are engaged in other financial industry activities required to be disclosed, and do not have any relationship with participants in the financial industry required to be disclosed that would be considered material to Cornerstone's business or to its Trustee clients. While Cornerstone intends to enter into sub-advisory agreements with third parties, Cornerstone will not receive any direct or indirect compensation from such sub-advisors, and Cornerstone does not believe such arrangements create any conflict of interests.

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

Cornerstone has adopted a Code of Ethics which applies to all of its management and supervised persons. A copy of Cornerstone's Code of Ethics is available to any client or

prospective client upon request. The Code of Ethics describes Cornerstone's standards of business conduct, compliance with federal securities laws and Cornerstone's fiduciary duties to its clients.

Brokerage Practices

Under Cornerstone's standard investment advisory agreement, the Trustee client has sole responsibility for selecting the broker to execute transactions for the trust or escrow account's portfolio. Cornerstone plays no role in the selection of broker-dealers.

Review of Accounts

Investment, investment manager selections and performance and other service provider selections and performance are reviewed by the President of Cornerstone and by Cornerstone's Investment Manager, an independent contractor engaged solely for that purpose, at least quarterly, or more frequently if circumstances warrant. Such circumstances may include unusual market activity, price volatility, security specific issues, impairment of investments or other changes in investment circumstances. All investments under Cornerstone's management are under diligent supervision. Detailed written reports, including asset allocation, industry diversification, yield, cost basis, market value, realized gains and losses, income, and transaction activity, prepared by sub-advisors, are mailed to Cornerstone's clients quarterly, or as otherwise mutually agreed.

Client Referrals and Other Compensation

Cornerstone does not have any arrangements with third party firms where Cornerstone compensates these firms for referring Trustee clients to Cornerstone. No one who is not a Trustee client of Cornerstone provides an economic benefit to Cornerstone for providing investment advice or advisory services to Cornerstone's Trustee clients.

Custody

Cornerstone does not serve as custodian for any of the Trustee client trust and escrow account assets. Thus, each Trustee client acts as its own custodian or retains a third party custodian to serve this role on their behalf. The custodian must generally be a qualified financial institution as required by applicable state law. In general, each Trustee client receives account statements from the custodian of their assets (unless they act as their own custodian) on a monthly basis. Each Trustee client then receives statements from Cornerstone or a sub-advisor on a quarterly basis, or as otherwise mutually agreed. Cornerstone encourages each Trustee client to compare the account statements received from the custodian with those received from Cornerstone or a sub-advisor to ensure that all account transactions are accurate.

Investment Discretion

Cornerstone does not have discretionary authority to manage securities accounts on behalf of the Trustee clients. Each Trustee client retains full discretion with respect to individual transactions. Cornerstone makes general recommendations regarding asset allocations and investment managers within given portfolios, but the Trustee client is free to reject any such recommendation.

Voting Client Securities

Cornerstone does not accept authority to vote client securities. Under certain custody arrangements, a Trustee client may appoint their custodian to vote proxies on their behalf. Otherwise, the Trustee client reserves the sole right to vote such proxies. Under circumstances where a Trustee client retains the right to vote their securities, they will receive the proxy materials directly from their custodian or a transfer agent. Trustee clients may contact Cornerstone by telephone or e-mail as set forth on the cover page of this brochure with questions about a particular solicitation.

Financial Information

Financial information is only required by firms that engage in certain billing practices, and Cornerstone does not engage in these practices. In any event, Cornerstone is aware of no financial circumstances that would prevent Cornerstone from meeting its contractual obligations to its clients.