

## **FIRM BROCHURE**

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**March 2022**



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St. Peters, MO 63376**

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Chief Compliance Officer**

This brochure provides information about the qualifications and business practices of Cornerstone Wealth Management, LLC and its DBAs. If clients have any questions about the contents of this brochure, please contact us at (636) 397-6200 or [thomas.gooden@lpl.com](mailto:thomas.gooden@lpl.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 our firm is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD #164666.

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

## Item 2: Material Changes

Our firm is required to make clients aware of information that has changed since the last annual update to the Firm Brochure ("Brochure") and that may be important to them. Clients can then determine whether to review the brochure in its entirety or to contact us with questions about the changes.

Since the last annual amendment filed on 03/25/2021, the following changes have been made:

- Our firm has disclosed that clients shall be billed on cash or cash equivalents unless otherwise indicated in writing in both Schwab and LPL accounts. Please refer to Item 5 for additional information.
- Starting in 2022, our firm has disclosed has created an insurance agency for which representatives may also be licensed. Please refer to Item 10 for additional information.
- Our firm has disclosed our use of Standing Letters of Authorization. Please refer to Item 15 for additional information.

### Item 3: Table of Contents

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## Item 4: Advisory Business

We specialize in the following types of services: asset management, financial planning and consulting, retirement consulting and management, and referrals to third party money managers. We are dedicated to providing individuals and other types of clients with a wide array of investment advisory services. Our firm is a limited liability company formed in the State of Missouri. Our firm has been in business as an investment adviser since 2005 and is owned as follows:

Gregory Shoemaker – 35.852%  
Joseph Keifer – 35.852%  
Dean Millonas- 14.296%  
Patrick Lodes – 5%  
William Friebel – 4%  
Karen Torrence – 2%  
Chris Swenson – 2%  
John Wehmer – 2%

Donald Aulbert – 1%  
David Kaplan – 1%  
Leslie Garrison – 1%  
Liyin Bao – 1%  
Thomas Gooden – 1%  
John Howard – 1%  
Khurram Naveed – 1%

Our firm also conducts business under the following names:

Bell & Associates Wealth Management  
Carlisle Mott Financial  
Dixon Incorporated  
Fisher Financial, LLC  
Focus Wealth Management  
Gateway Wealth Management, LLC  
Genfinity Wealth Management  
Hill Wealth Management, LLC  
Legends Financial Services Group, LLC  
Lifetime Planning, Inc.

Milestone Investment Counsel  
Morse Wealth Management  
Rains Wealth Management  
Stauros Financial, LLC  
Steamboat Financial Group  
Stone 8 Wealth Management, LLC  
Triada Advisors  
Vine Wealth Management  
West Financial Services

### **Advisory Services We Offer**

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#### **Asset Management**

We emphasize continuous and regular account supervision. As part of our asset management service, we generally create a portfolio, consisting of individual stocks or bonds, exchange traded funds (“ETFs”), exchange traded notes (“ETNs”), options, mutual funds and other public and private securities or investments. We also provide investment management services for plan participants’ 401(k)s including rollover options and the risks of moving assets out of 401(k) plans. The client’s individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client’s circumstances. This may also include insurance analysis, estate and tax planning strategies, industry education and financial planning, etc. Once the appropriate portfolio has been determined, we review the portfolio at least annually and if necessary, rebalance the portfolio based upon the client’s individual needs, stated goals and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio.

## **Retirement Consulting and Management**

We provide retirement consulting management services on a one-time or ongoing basis. Generally, such services consist of assisting plan sponsors in establishing, monitoring and reviewing their 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 consulting and management services shall be in compliance with the applicable laws regulating retirement consulting services. This applies to client accounts that are pension 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 (but only with respect to the provision of services described in our advisory agreement).

## **Financial Planning and 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, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Cost Segregation Study, Corporate Structure, 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 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.

## **Referrals to Third-Party Money Managers**

We may provide clients with a list of investment advisory services of third party professional portfolio management firms for the individual management of client accounts. Investment advice and trading of securities will only be offered by or through the chosen third party money manager. Our firm will not offer advice on any specific securities or other investments in connection with this service. Prior to referring clients, our firm will provide initial due diligence on third party money managers and ongoing reviews of their management of client accounts. In order to assist in the selection of a third party money manager, our firm will gather client information pertaining to financial situation, investment objectives, and reasonable restrictions to be imposed upon the management of the account.

Our firm will periodically review third party money manager reports provided to the client at least annually. Our firm will contact clients from time to time in order to review their financial situation and objectives; communicate information to third party money managers as warranted; and, assist the client in understanding and evaluating the services provided by the third party money manager. Clients will be expected to notify our firm of any changes in their financial situation, investment objectives, or account restrictions that could affect their financial standing.

In order to assist clients in the selection of a third-party money manager, we typically gather information from the client about their financial situation, investment objectives, and reasonable restrictions they can impose on the management of the account, which are often very limited. It is important to note that we do not offer advice on any specific securities or other investments in connection with this service. Investment advice and trading of securities is only offered by or through the third-party money managers to clients.

### **LPL Sponsored Advisory Programs**

When appropriate we have the ability to provide advisory services through certain programs sponsored by LPL Financial, LLC ("LPL"). Below is a brief description of each LPL advisory program available to us. Annualized fees for participation in LPL advisory programs vary up to maximum of 3.00%. For more information regarding the LPL programs, including more information on the advisory services and fees that apply, the types of investments available in the programs and the potential conflicts of interest presented by the programs please see the LPL Financial Form ADV Part 2 or the applicable LPL program's Wrap Fee Program Brochure and the applicable LPL Financial client agreement.

#### *Guided Wealth Portfolios Program (GWP)*

GWP offers clients the ability to participate in a centrally managed, algorithm-based investment program, which is made available to users and clients through a web-based, interactive account management portal ("Investor Portal"). Investment recommendations to buy and sell open-end mutual funds and exchange-traded funds are generated through proprietary, automated, computer algorithms (collectively, the "Algorithm") of Xulu, Inc., doing business as FutureAdvisor ("FutureAdvisor"), based upon model portfolios constructed by LPL and selected for the account as described below (such model portfolio selected for the account, the "Model Portfolio"). Communications concerning GWP are intended to occur primarily through electronic means (including but not limited to, through email communications or through the Investor Portal), although our firm will be available to discuss investment strategies, objectives or the account in general in person or via telephone.

A preview of the GWP Program (the "Educational Tool") is provided for a period of up to 45 days to help users determine whether they would like to become advisory clients and receive ongoing financial advice from LPL, FutureAdvisor and our firm by enrolling in the advisory service (the "Managed Service"). The Educational Tool and Managed Service are described in more detail in the GWP Program Brochure. Users of the Educational Tool are not considered to be advisory clients of LPL, FutureAdvisor or our firm, do not enter into an advisory agreement with LPL, FutureAdvisor or our firm, do not receive ongoing investment advice or supervisions of their assets, and do not receive any trading services. A minimum account value of \$5,000 is required to enroll in the Managed Service.

### *Manager Access Select Program ("MAS"):*

MAS provides clients access to the investment advisory services of professional portfolio management firms for the individual management of client accounts. We will assist client in identifying a third party portfolio manager (Portfolio Manager) from a list of Portfolio Managers made available by LPL Financial. The Portfolio Manager manages client's assets on a discretionary basis. We will provide initial and ongoing assistance regarding the Portfolio Manager selection process. A minimum account value of \$100,000 is required for Manager Access Select, however, in certain instances, the minimum account size may be lower or higher.

### *Optimum Market Portfolios Program (OMP)*

OMP offers clients the ability to participate in a professionally managed asset allocation program using Optimum Funds Class I shares. Under OMP, the client will authorize LPL Financial on a discretionary basis to purchase and sell Optimum Funds pursuant to investment objectives chosen by the client. We will assist the client in determining the suitability of OMP for the client and assist the client in setting an appropriate investment objective. Adviser will have discretion to select a mutual fund asset allocation portfolio designed by LPL consistent with the client's investment objective. LPL Financial will have discretion to purchase and sell Optimum Funds pursuant to the portfolio selected for the client. LPL Financial will also have authority to rebalance the account. A minimum account value of \$10,000 is required for OMP.

### *Personal Wealth Portfolios Program (PWP)*

PWP offers clients an asset management account using asset allocation model portfolios designed by LPL Financial. We will have discretion for selecting the asset allocation model portfolio based on client's investment objective. We will also have discretion for selecting third party money managers (PWP advisors) or mutual funds within each asset class of the model portfolio. LPL Financial will act as the overlay portfolio manager on all PWP accounts and will be authorized to purchase and sell on a discretionary basis mutual funds and equity and fixed income securities. A minimum account value of \$250,000 is required for PWP.

### *Model Wealth Portfolios Program (MWP)*

MWP offers clients a professionally managed mutual fund asset allocation program. We will obtain the necessary financial data from the client, assist the client in determining the suitability of the MWP program and assist the client in setting an appropriate investment objective. We initiate the steps necessary to open an MWP account and have discretion to select a model portfolio designed by LPL Financial's Research Department consistent with the client's stated investment objective. LPL Financial's Research Department is responsible for selecting the mutual funds within a model portfolio and for making changes to the mutual funds selected. The client will authorize LPL Financial to act on a discretionary basis to purchase and sell mutual funds, including in certain circumstances exchange traded funds and to liquidate previously purchased securities. The client will also authorize LPL Financial to effect rebalancing for MWP accounts.

The MWP program may make available model portfolios designed by strategists other than LPL's Research Department. If such models are made available, we will have discretion to choose among the available models designed by LPL and outside strategists. A minimum account value of \$25,000 is required for MWP.

## **Tailoring of Advisory Services**

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We offer individualized investment advice to clients utilizing the Asset Management service. Additionally, we offer general investment advice to clients utilizing the following services offered by our firm: Financial Planning and Consulting, Retirement Consulting and Management, and Referrals to Third Party Money Managers.

Each Asset Management client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

## **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.

## **Regulatory Assets Under Management**

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Our firm manages \$3,018,459,274 on a discretionary basis and \$6,362 on a non-discretionary basis as of 12/31/2021.

## **Item 5: Fees & Compensation**

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 negotiable. Actual fees paid by clients who engage our firm through an advisor who has joined Cornerstone Wealth Management may be different than published below as we allow advisors to grandfather their previously established advisory fee schedules with our firm.

### **Asset Management**

<b>Assets Under Management</b>	<b>Annual Percentage of Assets Charge</b>
\$0 to \$499,999.99	Up to 2.4%
\$500,000 to \$999,999.99	Up to 1.9%
Over \$1,000,000	Up to 1.4%

For LPL Accounts:

The fee to be assessed to each account will be detailed in the client’s signed advisory agreement, LPL Account Application or LPL Tiered Fee Authorization form. Fees are billed on a pro-rata basis quarterly in advance based on the value of the account(s) on the last day of the previous quarter. Fees will be deducted from the account(s). Please note that fees will be adjusted for deposits and withdrawals made during the quarter. Please also note that clients shall be billed on cash or cash equivalents unless otherwise indicated in writing. If accounts are opened during the quarter, the pro-



rata advisory fees will be deducted during the next regularly scheduled billing cycle. As part of this process, Clients understand the following:

- a) LPL as the client's custodian sends statements at least quarterly, showing all disbursements for each account, including the amount of the advisory fees paid to our firm;
- b) Clients provide authorization permitting LPL to deduct these fees;
- c) LPL calculates the advisory fees for all fee schedules and deducts them from the client's account.

We may pay compensation to Independent Managers for services rendered by these firms to our clients and our firm. This compensation is typically equal to a percentage of the overall investment advisory fee charged by our firm or an agreed upon fixed fee. The advisory fee paid to Independent Managers shall be negotiable in certain circumstances but shall never exceed the overall amount in our published fee statement. We usually pay twenty-five (25%) to fifty-percent (50%) of the overall advisory fee to Independent Managers for their services.

For Schwab Accounts:

Fees to be assessed will be outlined in the advisory agreement to be signed by the Client. Annualized fees are billed on a pro-rata basis quarterly in advance based on the value of the account(s) on the last day of the previous quarter. Fees are negotiable and will be deducted from client account(s). Please also note that clients shall be billed on cash or cash equivalents unless otherwise indicated in writing. Adjustments will be made for deposits and withdrawals during the quarter. Our firm does not offer direct invoicing. As part of this process, Clients understand the following:

- a) The client's independent custodian sends statements at least quarterly showing the market values for each security included in the Assets and all account disbursements, including the amount of the advisory fees paid to our firm;
- b) Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian; and
- c) If our firm sends a copy of our invoice to the client, a legend urging the comparison of information provided in our statement with those from the qualified custodian will be included.

### **Retirement Account Consulting and Management**

We charge on an hourly, flat fee or a percentage of assets under management basis for our Retirement Account Consulting and Management services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our hourly fee is \$250. Our flat fees generally range from \$750 to \$10,000 (charged annually for ongoing pension consulting services). Alternatively, ongoing services may be charged a percentage of assets under our management according to the schedule below. The fee-paying arrangements will be determined on a case-by-case basis and will be detailed in the advisory agreement. The client will be invoiced directly for the fees.

<b>Assets Under Management</b>	<b>Annual Percentage of Assets Charge</b>
\$0 to \$499,999.99	Up to 2.5%
\$500,000 to \$999,999.99	Up to 2.0%
Over \$1,000,000	Up to 1.5%

Fees will be billed quarterly via invoice to the client and shall be paid within ten (10) days of the invoice date if fees are not deducted directly from the account.

In addition to Adviser's consulting fee, the Client may also incur certain charges imposed by unaffiliated third parties. Such charges include, but are not limited to, custodial fees, administrative fees, brokerage commissions, transaction fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund purchased for the account which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), wire transfer fees and other fees and taxes on brokerage accounts and securities transactions.

### **Financial Planning and Consulting**

We charge on an hourly or flat fee basis for financial planning and consulting services. The total estimated hourly or flat fee, as well as the ultimate fee that we charge, is based on the scope and complexity of our engagement with you. Our hourly fees are \$300 for financial advisors. Flat fees generally range from \$500 to \$5,000. Fees are billed directly to the client if not deducted from client account. Implementation of the recommendations will be at the discretion of the client.

We generally require a retainer of fifty-percent (50%) of the ultimate financial planning or consulting fee with the remainder of the fee directly billed to you and due to us within thirty (30) days of your financial plan being delivered or consultation rendered to you. In all cases, we will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 (six) months.

### **Referrals to Third Party Money Managers**

Occasionally, we are paid by third party money managers when we refer you to them and you decide to open a managed account. When this occurs, the third party money managers pay us a portion of the investment advisory fee that they charge you for managing your account. Fees paid to us by third party money manager are generally ongoing and outlined in the third party money manager's advisory agreement. Clients will be provided with a copy of the chosen third party money manager's Form ADV Part 2, all relevant Brochures, a solicitation disclosure statement detailing the fees to be paid to both firms and the third party money manager's privacy policy. All fees that our firm receives from the third party money managers and the written separate disclosures made to clients regarding these fees comply with applicable state statutes and rules.

The billing procedures for this service vary based on the chosen third party money manager. The total fee to be charged, as well as the billing cycle, will be detailed in the third party money manager's ADV Part 2A and separate advisory agreement to be signed by the client.

### **LPL Sponsored Advisory Programs**

As noted in Item 4, the account fee charged to the client for each LPL Financial advisory program varies up to a maximum of 3.00%. Account fees are payable quarterly in advance. Fees are negotiable. The actual fee assessed will be disclosed in the program. LPL Financial serves as program sponsor,

investment advisor and broker-dealer for the LPL Financial advisory programs. Our firm and LPL Financial share in the account fee and other fees associated with program accounts.

LPL serves as program sponsor, investment advisor and broker-dealer for the LPL advisory programs. Our firm and LPL may share in the account fee and other fees associated with program accounts. Associated persons of our firm may also be registered representatives of LPL.

Our firm receives compensation as a result of a client's participation in an LPL program. Depending on, among other things, the type and size of the account, type of securities held in the account, changes in its value over time, the ability to negotiate fees or commissions, the historical or expected size or number of transactions, and the number and range of supplementary advisory and client-related services provided to the client, the amount of this compensation may be more or less than what our firm would receive if the client participated in other programs, whether through LPL or another sponsor, or paid separately for investment advice, brokerage and other services.

The account fee may be higher than the fees charged by other investment advisors for similar services. Clients should consider the level and complexity of the advisory services to be provided when negotiating the account fee (or the advisor fee portion of the account fee, as applicable) with our firm. With regard to accounts utilizing third-party portfolio managers under aggregate, all-in-one account fee structures (including PWP and the legacy MWP fee structure), because the portion of the account fee retained by our firm varies depending on the portfolio strategist fee associated with a portfolio, our firm has a financial incentive to select one portfolio instead of another portfolio.

The MWP account fee consists of an LPL program fee, a strategist fee (if applicable) and an advisor fee of up to 2.00%. Accounts remaining under the legacy fee structure may be charged one aggregate account fee, for which the maximum account fee is 2.50%. See the MWP program brochure for more information.

GWP Managed Service clients are charged an account fee consisting of an LPL program fee of 0.35% and an advisor fee of up to 1.00%. In the future, a strategist fee may apply. LPL Research, however, currently serves as the sole portfolio strategist and does not charge a fee for its services. FutureAdvisor is compensated directly by LPL for its services, including the Algorithm and related software, through an annual sub-advisory fee (tiered based on assets under management by FutureAdvisor, at a rate ranging from 0.10% to 0.17%). As each asset tier is reached, LPL's share of the compensation shall increase, and clients will not benefit from such asset tiers.

In the Managed Service of GWP, LPL is appointed by each client as custodian of account assets and broker-dealer with respect to processing securities transactions for the accounts. In general, FutureAdvisor, in its capacity as investment advisor, will submit transactions through LPL; however, FutureAdvisor may choose to execute transactions through a broker-dealer other than LPL, subject to its duty to seek to achieve best execution. When securities transactions are effected through LPL, there are no brokerage commissions charged to the account. If FutureAdvisor chooses to execute a transaction through a broker-dealer other than LPL, the execution price may include a commission or fee imposed by the executing broker-dealer. In evaluating whether to execute a trade through a broker-dealer other than LPL, Future Advisor will consider the fact that the account will not be charged a commission if the transaction is effected through LPL.

GWP Educational Tool provides access to sample recommendations at no charge to users. If users decide to implement sample recommendations by executing trades, they will be charged fees, commissions, or expenses by the applicable broker or adviser, as well as underlying investment fees

and expenses. Account fees are payable quarterly in advance, except that the SMS fee is paid in arrears on the frequency agreed to between client and Advisor.

### **Other Types of Fees & Expenses**

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Non-Wrap Clients will incur transaction fees for trades executed by their chosen custodian, via individual transaction charges. These transaction fees are separate from our firm's advisory fees and will be disclosed by the chosen custodian. It is important to note that Charles Schwab & Co., Inc. ("Schwab") does not charge transaction fees for U.S. listed equities and exchange traded funds. Additionally, LPL Financial offers a trading platform with select exchange traded funds ("ETFs") that do not charge transaction fees. The no-transaction-fee ETF trading platform is available to clients participating in LPL Financial's Strategic Wealth Management ("SWM") and Strategic Asset Management ("SAM") programs. Clients will be subject to transaction fees charged by LPL Financial for ETFs not included in LPL Financial's platform and for other types of securities. The limited number of ETFs available on LPL Financial's no-transaction fee platform may have higher overall expenses than other types of securities and ETFs not included in the platform. Other major custodians have eliminated transaction fees for all ETFs and U.S. listed equities, so clients may pay more for investing in the same securities at LPL Financial.

Clients may also pay holdings charges imposed by the chosen custodian for certain investments, 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, initial or deferred sales charges, mutual fund sales loads, 12b-1 fees, surrender charges, variable annuity fees, IRA and qualified retirement plan fees, and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. Our firm does not receive a portion of these fees.

Wrap fee clients will receive our Form ADV Part 2A Appendix 1 (the "Managed Asset Program"). 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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Either party may terminate the signed advisory agreement at any time for Asset Management Services. Upon receipt of your notice of termination, If the client is in a LPL account, LPL will process a pro-rate refund of the unearned portion of the advisory fees charged in advance at the beginning of the quarter. However, if the client is in a Schwab account, our firm will process a pro-rata refund of the unearned portion of the advisory fees charged in advance.

Financial Planning & Consulting clients may terminate their agreement at any time before the delivery of a financial plan by providing written notice. For purposes of calculating refunds, all work performed by us up to the point of termination shall be calculated at the hourly fee currently in effect. Clients will receive a pro-rata refund of unearned fees based on the time and effort expended by our firm.

### **Commissionable Securities Sales**

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Representatives of our firm are also associated with LPL as broker-dealer registered representatives ("Dually Registered Persons"). In their capacity as registered representatives of LPL, certain Dually Registered Persons may earn commissions for the sale of securities or investment products that they

recommend for brokerage clients. They do not earn commissions on the sale of securities or investment products recommended or purchased in advisory accounts through our firm. Clients have the option of purchasing many of the securities and investment products made available through another broker-dealer or investment adviser. When purchasing these securities and investment products away from our firm, however, Clients will not receive the benefit of the advice and other services we provide.

## **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;
- Pension and Profit Sharing Plans;
- Corporations, limited liability companies and/or other business types;
- Other Investment Advisers.

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

- We do not require a minimum account balance for our asset management service apart from minimums disclosed in Item 10;
- We do not charge a minimum fee for written financial plans.

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

### **Methods of Analysis**

We may use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Third-Party Money Manager Analysis.** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks. A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

**Quantitative Analysis.** We use quantitative analysis that may include mathematical analysis in an attempt to identify the impact of interest rate changes on individual securities and portfolios of securities. The results of our quantitative analysis are taken into consideration in the decision to buy or sell securities and in the management of portfolio characteristics. A risk in using quantitative analysis is that the methods or models used may be based on assumptions that prove to be incorrect.

**Qualitative Analysis.** We use qualitative analysis to evaluate individual securities, focusing on non-quantifiable factors such as quality of management and others not readily subject to measurement, and incorporate that analysis into our security selection process. A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

**Asset Allocation.** We generally focus on identifying an appropriate allocation of securities, maturities, market sectors and yield curve positioning suitable for the client's investment goals and risk tolerance. While asset allocation is recognized by professional investment advisers as a prudent approach, a risk of asset allocation is that the client may not participate in sharp increases in a

particular security, industry or market sector. Another risk is that the allocation will change over time due to market movements in the various sectors, which, if not corrected, may no longer be appropriate for the client's goals.

**Guided Wealth Portfolios Program:** At present, the GWP Program is only appropriate for investors with long-term investment horizons, before such investors plan to access assets that are invested pursuant to GWP. If clients need access to the account(s) assets at any point prior to the end of the investment horizon, the prices at which these assets are liquidated may cause a material loss and will negatively compromise the ability to help meet the Investment Objective. The analysis and recommendations provided may be time sensitive, especially during times of significant market volatility and when there are time limits on the availability of a particular investment product. Thus, such analysis and recommendations may be subject to different interpretations as market conditions and other factors change.

Investment recommendations can include Mutual Funds and/or ETFs. Investing in such funds involves investment risk as the funds may employ speculative investment techniques, including leverage, concentrated portfolios, investments in workouts or startups, control positions and illiquid investments.

The GWP Program is highly reliant on the accurate operation of the Algorithm and the technology that generates the Algorithm. A malfunction or failure in either could cause losses, some or all of which could be significant. The Algorithm employs a number of quantitative models that involve assumptions based upon a limited number of variables that may be extracted from complex financial markets or instruments that they intend to replicate. Any one or all of these assumptions, whether or not supported by past experience, could prove over time to be incorrect, which could result in major losses. While the Algorithm includes a component that seeks to provide recommendations intended to achieve tax efficient asset placement, this component is only one of many that comprise an individual's comprehensive tax management plan and supplementary tax advice that is outside the scope of the services provided may be necessary to minimize the impact of tax liabilities incurred. The tax efficient investment strategies recommended or implemented in connection with the GWP Program are not intended to be tax advice and do not imply that any particular tax consequences will be obtained. Investors should consult with a personal tax advisor regarding the tax consequences of investing.

Transactions are placed as soon as reasonably practicable after generating recommendations. There could, however, be material delays in the amount of time it takes to place transactions. Any delays in placing transactions could reduce, perhaps materially, the profit gained from the transaction or could cause a material loss. Transactions are executed by placing "market orders." A "market order" is an order to buy or sell an investment at the best available price. Because market orders generally are executed immediately (as opposed to an order that specifies a limit price at which the security should be bought or sold and remains open for a longer period of time, during which the price of the security may or may not hit the target price) market orders bear inherent risks, particularly in times of high volatility and for investments that are thinly traded. This could result in paying a higher purchase price or receiving a lower sell price the market orders are placed. It could also result in higher execution fees charged by those handling these transactions.

Losses may arise from shortcomings or failures in internal processes, people or systems, or from external events. Operational risk can arise from many factors ranging from routine processing errors to potentially costly incidents related to, for example, major systems failures. There are operational, information security and related risks associated with the increased use of technologies such as the

internet to conduct business. In general, cyber incidents can result from deliberate attacks or unintentional events and are not limited to, gaining unauthorized access to digital systems, and misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including the denial-of-service attacks on websites. Cyber security failures or breaches by a third party service provider, any aggregation vendor or the issuers of securities in the account(s), have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **Investment Strategies**

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We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations. Typically, we employ this strategy when:

1. We believe the securities to be currently undervalued, and/or
2. We want exposure to a particular asset class over time, regardless of the current projection for this class.

**Long-term purchases.** When utilizing this strategy, we may purchase securities with the idea of holding them for a relatively long time (typically held for at least a year). A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell. Typically, we employ this sub-strategy when we believe the securities to be well valued and/or we want exposure to a particular asset class over time, regardless of the current projection for this class.

**Short-term purchases.** When utilizing this strategy, we may also purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

**Fixed Income Portfolio Management Investment Strategies.** We believe that a conservative, risk-averse approach to fixed income management will provide both steady incremental outperformance, and low relative volatility.

The disciplined process we employ in an effort to realize this philosophy is generally grounded in four key decisions:

1. Constraint of portfolio duration within a narrow range relative to the benchmark in order to limit exposure to market and interest rate risk.



2. Strategic allocations to key sectors to add value relative to the benchmark.
3. Proactive management of term structure to add value in different yield curve environments.
4. Security selection based on rigorous credit and relative value analysis and broad diversification of nongovernment issuers.

Within our Fixed Income strategy, we use the following sub-strategies in managing client accounts, provided that such sub-strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Duration Constraints.** We adhere to a discipline of generally maintaining duration within a narrow band around benchmark duration in order to limit exposure to market risk. Our portfolio management team rebalances client portfolios to their current duration targets on a periodic basis. The risk of constraining duration is that the client may not participate fully in a large rally in bond prices.

**Sector Allocation.** We allocate client assets to various sectors of the fixed income market, including US Treasury obligations, federal agency securities, corporate notes, mortgage-backed securities and others, based on our quantitative and qualitative analysis in order to manage client exposure to a given sector and to provide exposure to sectors we believe have good value. The risk of sector allocation is that clients may not participate fully in an increase in value in any specific sector.

**Security Selection.** A proprietary credit evaluation process drives our security selection process. The system uses both internally and externally generated credit research to evaluate securities we are considering for purchase. Based on research we conduct internally; our Credit Committee selects securities for our Approved list. The ultimate decision to purchase or sell a security is based on the firm's evaluation of the current price for the security. The risk of security selection is that the methods of analysis employed will not provide accurate measurement of the risk association with each individual security.

**Cash Balances.** 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 asset management, as applicable.

## 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**

### *Financial Industry Affiliations*

Representatives of our firm are Dually Registered Persons. LPL is a broker-dealer that is independently owned and operated and is not affiliated with our firm. Please refer to Item 12 for a discussion of the benefits our firm may receive from LPL Financial and the conflicts of interest associated with receipt of such benefits. Occasionally, while advisors move from LPL's corporate RIA to Cornerstone Wealth Management's hybrid RIA, they will maintain registrations with both firms during the transition.

Representatives of our firm are insurance agents/brokers. They offer insurance products and receive customary fees as a result of insurance sales. A conflict of interest exists as these insurance sales create an incentive to recommend products based on the compensation adviser and/or our supervised persons may earn. To mitigate this potential conflict, our firm will act in the client's best interest.

In addition, certain representatives of our firm are also licensed with our affiliated insurance entity as insurance agents/brokers. In such capacity, they may offer clients insurance products and receive normal and customary fees as a result of insurance sales. Clients are under no obligation to purchase these products. A conflict of interest exists as these insurance sales create an incentive to recommend products based on the compensation representatives and/or our supervised persons may earn. To mitigate this potential conflict, our firm will act in the client's best interest.

## **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. 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.

Similarly, related persons of our firm 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 unless included in a block trade or its made last thirty minutes of the trading day.

## **Item 12: Brokerage Practices**

### **Selecting a Brokerage Firm**

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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:

- Ability to maintain the confidentiality of trading intentions
- Timeliness of execution
- Timeliness and accuracy of trade confirmations
- Liquidity of the securities traded
- Willingness to commit capital
- Ability to place trades in difficult market environments
- 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

Our firm generally recommends that Clients establish accounts with LPL Financial (“LPL”), member FINRA/SIPC, to maintain custody of clients’ assets and to effect trades for their accounts. LPL provides brokerage and custodial services to independent investment advisory firms, including our firm. Clients should also be aware that in some limited circumstances, our firm recommends that clients use American Funds with their affiliated custodian, Capital Bank and Trust (“American Funds”) or the Schwab Advisor Services division of Charles Schwab & Co. Inc. (“Schwab”), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian either in place of or in addition to LPL. Our firm is independently owned and operated, and not affiliated with Schwab and American Funds. Schwab and American Funds will hold client assets in a brokerage account and buy and sell securities when instructed. While our firm recommends that clients use Schwab and American Funds as custodian/broker, clients will decide whether to do so and open an account with Schwab and American Funds by entering into an account agreement directly with them. Our firm does not open the account. Even though the account is maintained at Schwab and American Funds, our firm can still use other brokers to execute trades, as described above.

American Funds, Schwab & LPL generally does not charge a separate fee for custody services but is compensated by charging commissions or other fees (e.g., trails) to clients on trades that are executed or that settle into the Schwab or LPL account(s). However, LPL generally charges account maintenance fees. In addition, LPL also charges clients miscellaneous fees and charges, such as account transfer fees. As for Schwab, in addition to commissions, Schwab charges a flat dollar amount as a “prime broker” or “trade away” fee for each trade that our firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a Schwab account. These fees are in addition to the commissions or other compensation paid to the executing broker-dealer.

While LPL does not participate in, or influence the formulation of, the investment advice our firm provides, certain supervised persons of our firm are Dually Registered Persons. Dually Registered Persons are restricted by certain Financial Industry Regulatory Authority (“FINRA”) rules and policies from maintaining accounts at another custodian or executing transactions in such accounts through any broker-dealer or custodian that is not approved by LPL. As a result, the use of other trading platforms must be approved by our firm and LPL.

Clients should also be aware that for accounts where LPL serves as the custodian, our firm is limited to offering services and investment vehicles that are approved by LPL, and may be prohibited from offering services and investment vehicles that may be available through other broker-dealers and custodians, some of which may be more suitable for a client’s portfolio than the services and investment vehicles offered through LPL. Clients should understand that not all investment advisers require that Clients custody their accounts and trade through specific broker-dealers.

### ***Benefits Received by Our Personnel***

LPL Schwab, and American Funds make available to our firm various products and services designed to assist our firm in managing and administering client accounts. Many of these products and services may be used to service all or a substantial number of accounts, including accounts not held with LPL. These include software and other technology that provide access to client account data (such as trade confirmation and account statements); facilitate trade execution (and aggregation and allocation of trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of our firm’s fees from its clients’ accounts; and assist with back-office functions; recordkeeping and client reporting.

LPL Schwab, and American Funds also makes available to our firm other services intended to help manage and further develop our business. Some of these services assist our firm to better monitor and service program accounts maintained at LPL, American Funds, and Schwab. Many of these services, however, benefit only our firm. These support services and/or products may be provided without cost, at a discount, and/or at a negotiated rate, and include practice management-related publications; consulting services; attendance at conferences and seminars, meetings, and other educational and/or social events; marketing support; and other products and services used by our firm in furtherance of the operation and development of its investment advisory business.

Where such services are provided by a third party vendor, LPL will either make a payment to our firm to cover the cost of such services, reimburse our firm for the cost associated with the services, or pay the third party vendor directly on behalf of our firm. Schwab, on the other hand, will arrange for third-party vendors to provide the services to our firm. Schwab may also discount or waive fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide our firm with other benefits, such as occasional business entertainment for our personnel

The products and services described above are provided to our firm as part of its overall relationship with LPL, Schwab, and American Funds. While as a fiduciary, our firm endeavors to act in its clients' best interests, the receipt of these benefits creates a conflict of interest because our firm's requirement that Clients custody their assets at LPL, Schwab, and American Funds is based in part on the benefit to our firm of the availability of the foregoing products and services and not solely on the nature, cost or quality of custody or brokerage services provided by LPL, Schwab, and American Funds. Our firm's receipt of some of these benefits may be based on the amount of advisory assets custodied on the LPL, Schwab, and American Funds platform.

### ***Transition Assistance Benefits***

LPL provides various benefits and payments to Dually Registered Persons that are new to the LPL platform to assist the representative with the costs (including foregone revenues during account transition) associated with transitioning their business to the LPL platform (collectively referred to as "Transition Assistance"). The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including but not necessarily limited to, providing working capital to assist in funding the Dually Registered Person's business, satisfying any outstanding debt owed to the Dually Registered Person's prior firm, offsetting account transfer fees ("ACATs") payable to LPL as a result of the Dually Registered Person's clients transitioning to LPL's custodial platform, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, staffing support and termination fees associated with moving accounts.

The Transition Assistance payment amounts are often significant in relation to the overall revenue earned or compensation received by the Dually Registered Person at their prior firm. Such payments are generally based on the size of the Dually Registered Person's business established at their prior firm and/or assets under custody on the LPL. Please refer to the relevant Part 2B brochure supplement for more information about the specific Transition Payments each representative receives.

Transition Assistance payments and other benefits are provided to associated persons of our firm in their capacity as registered representatives of LPL. The receipt of Transition Assistance creates conflicts of interest relating to our firm's advisory business because it creates a financial incentive to recommend that Clients maintain their accounts with LPL. In certain instances, the receipt of such

benefits is dependent on maintaining Client assets with LPL. As such, our firm and its representatives have an incentive to recommend that clients maintain their account with LPL in order to generate such benefits.

Our firm attempts to mitigate these conflicts of interest by evaluating and recommending that Clients use LPL's services based on the benefits that such services provide, rather than the Transition Assistance earned by any particular Dually Registered Person. Our firm considers LPL's suite of services when recommending that Clients maintain accounts with LPL. Clients should, however, be aware of this conflict and take it into consideration in making a decision whether to custody their assets in a brokerage account at LPL.

Our firm does not receive client brokerage commissions (or markups or markdowns) to obtain research or other products or services. We do not receive soft dollars, products or services acquired with client brokerage commissions. Our firm does not receive brokerage for client referrals. We do not allow client-directed brokerage, as trades in our clients' accounts are executed through LPL Financial, a qualified custodian and broker-dealer; neither do we direct client transactions to LPL Financial in return for soft-dollar benefits. We do not have discretionary authority over the broker or dealer to be used.

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

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.

### **Aggregation of Purchase or Sale**

We do not aggregate the purchase or sale of securities for various client accounts but rather review accounts independently and place transactions accordingly. Whether or not securities are purchased or sold at approximately the same time, all client transactions will incur individual transaction fees. Whether or not we aggregate our orders, LPL Financial does bunch orders. The advantage of bunching is that orders are handled in a way that may mitigate market impact, when applicable and possible. If orders are bunched, each client gets the same average execution price.

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

We review accounts at least annually for our clients subscribing to the Asset Management Service and accounts managed by Third-Party Money Managers. 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. Only our Financial Advisors or Portfolio Managers will conduct reviews. We do not provide written reports to clients, unless asked to do so.

Verbal reports to clients take place annually when we contact our clients to conduct a client meeting or conference call.

Pension consulting clients receive reviews of their pension plans for the duration of the pension consulting service. We also provide ongoing services to pension consulting clients where we meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc. Pension consulting clients do not receive written or verbal updated reports regarding their pension plans unless they choose to contract with us for ongoing Pension Consulting services.

Financial planning clients do not receive reviews of their written plans unless they take action to schedule a financial consultation with us. We do not provide ongoing services to financial planning clients, but are willing to meet with such clients upon their request to discuss updates to their plans, changes in their circumstances, etc. Financial planning clients do not receive written or verbal updated reports regarding their financial plans unless they separately contract with us for a post-financial plan meeting or update to their initial written financial plan.

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**

### **LPL Financial, LLC**

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We may receive from LPL 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. Additionally, LPL may compensate our firm for on boarding advisors. Our clients do not pay more for investment transactions effected and/or assets maintained at LPL as result of this arrangement. There is no commitment made by us to LPL or any other institution as a result of the above arrangement.

Our firm and its Dually Registered Persons are incented to join and remain affiliated with LPL and to recommend that Clients establish accounts with LPL through the provision of Transition Assistance (discussed in Item 12 above). LPL also provides other compensation to our firm and its Dually Registered Persons, including but not limited to, bonus payments, repayable and forgivable loans, stock awards and other benefits. The receipt of any such compensation creates a financial incentive for your representative to recommend LPL as custodian for the assets in your advisory account. Our firm encourages you to discuss any such conflicts of interest with your representative before making a decision to custody your assets at LPL.

## **Charles Schwab & Co. Inc.**

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Our firm receives economic benefit from Schwab in the form of the support products and services made available to our firm and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit our firm, and the related conflicts of interest are described above (*see Item 12 – Brokerage Practices*). The availability of Schwab's products and services is not based on our firm giving particular investment advice, such as buying particular securities for our clients.

## **American Funds**

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Our firm receives economic benefit from American Funds in the form of the support products and services made available to our firm and other independent investment advisors that have their clients maintain accounts at American Funds. These products and services, how they benefit our firm, and the related conflicts of interest are described above (*see Item 12 – Brokerage Practices*). The availability of these products and services is not based on our firm giving particular investment advice, such as buying particular securities for our clients.

## **Referral Fees**

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Our firm pays 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. Such referral fee represents a share of our investment advisory fee charged to our clients. This arrangement will not result in higher costs to the referred client. In this regard, our firm maintains Solicitors Agreements in compliance with Rule 206 (4)-3 of the Investment Advisers Act of 1940 and applicable state and federal laws. All clients referred by Solicitors to our firm will be given full written disclosure describing the terms and fee arrangements between our firm and Solicitor(s). In cases where state law requires licensure of solicitors, our firm ensures that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of our firm. If our firm is paying solicitation fees to another registered investment adviser, the licensure of individuals is the other firm's responsibility.

## **Item 15: Custody**

All of our clients receive account statements directly from their qualified custodians at least quarterly upon opening of an account. If our firm decides 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. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.



### **Third Party Money Movement:**

On February 21, 2017, the SEC issued a no-action letter ("Letter") with respect to Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of authorization ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

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

Clients have the option of providing our firm with investment discretion on their behalf, pursuant to an executed investment advisory client agreement for our Asset Management and some Third Party Referral Services. By granting investment discretion, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Should clients grant our firm non-discretionary authority, our firm would be required to obtain the client's permission prior to effecting securities transactions. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

### **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.

However, third party money managers selected or recommended by our firm may vote proxies for clients. Therefore, except in the event a third-party money manager votes proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore (except for proxies that may be voted by a third-party money manager), our firm and/or you shall instruct your qualified custodian to forward to you copies of all proxies and shareholder communications relating to your investment assets.

### **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 Wealth Management, LLC has never been subject to a bankruptcy petition.