

Cornerstone Advisory, LLC

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FORM ADV PART 2A BROCHURE

This brochure provides information about the qualifications and business practices of Cornerstone Advisory, LLC. If you have any questions about the contents of this brochure, please contact us at 410-468-1693. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Cornerstone Advisory, LLC is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Cornerstone Advisory, LLC is 142359.

Cornerstone Advisory, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment, dated March 20, 2023 we have the following material changes to report.

- We have added an additional billing methodology for trust disbursement services. Please see Item 5 for additional information.

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Item 4 Advisory Business

Description of Services and Fees

Cornerstone Advisory, LLC ("Cornerstone") is a registered investment adviser based in Hunt Valley, Maryland. We are organized as a limited liability company under the laws of the State of Maryland. We have been providing investment advisory services since 2006. Donald S. Huber, Jr., Thomas N. Biddison, III and Erik D. Johnson are the principal owners of our firm. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- **Portfolio Management Services**
- **Advisor to Private Fund**
- **Recommendation of Third Party Asset Managers**
- **Financial Planning and Consulting Services**
- **Pension Consulting Services**
- **Sub-Advisory Services to Registered Investment Advisers**

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to Cornerstone Advisory, LLC and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Portfolio Management Services

We offer discretionary portfolio management services. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. We will use the suitability information we gather to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. As part of our portfolio management services, we may customize an investment portfolio for you in accordance with your risk tolerance and investing objectives. Once we construct an investment portfolio for you, we will monitor your portfolio's performance on an ongoing basis.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm and the appropriate trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

Outcome Driven Fund, L.P.

Our firm is also the investment adviser and management company to the Outcome Driven Fund, L.P. (the "Fund"), a private pooled investment vehicle. The General Partner to the Fund is Cornerstone Management Partners, LLC, an affiliated entity. The objective of the Fund is to use an opportunistic strategy in order to obtain consistent income and reasonable growth in all types of market conditions. The Fund's strategy is to invest in a broad range of securities, the majority of which will be structured notes. The majority of the structured notes will be investment contracts with major investment banks

that are registered with the Securities and Exchange Commission. The portfolio will be broadly diversified and will include equity, fixed income, commodity, and interest rate strategies with a lower correlation to traditional equity and fixed income instruments.

Recommendation of Third Party Asset Managers

As part of our overall asset management strategy, we may also recommend Third Party Asset Managers ("TPAMs") or programs to manage all or a portion of your account. All TPAMs recommended by our firm must either be registered as investment advisers or exempt from registration requirements. Factors that we consider when making our recommendations include, but are not limited to, the following: the TPAM's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will periodically monitor the TPAM's performance to ensure its management and investment style remains aligned with your investment goals and objectives.

Where you have appointed Cornerstone as your agent to buy and sell securities or other investments for your account on a discretionary basis, you have delegated to us the authority to retain one or more TPAM(s) to provide all, or a portion, of the discretionary management services with respect to your account. Cornerstone shall have the discretion to hire and fire any TPAM without your consent. To the extent you participate in a specific program offered by us that is provided through a TPAM or platform, the investments that are available to you through that program may be limited to certain types of securities. Generally, you may not impose restrictions on investing in certain securities or types of securities in accounts managed by a TPAM.

In some cases, you may be required to sign an agreement directly with TPAM(s). In which case, you may terminate your advisory relationship with the TPAM(s) according to the terms of your agreement with the TPAM(s). You should review each TPAM's brochure for specific information on how you may terminate your advisory relationship with the TPAM and how you may receive a refund, if applicable. You should contact the TPAM directly for questions regarding your agreement with the TPAM.

A complete description of the programs and services provided, the amount of total fees, the payment structure, termination provisions and other aspects of each program are detailed and disclosed in: i) the TPAM's Form ADV Part 2A; ii) or other applicable disclosure documents; iii) the disclosure documents of the portfolio manager(s) selected; or, iv) the TPAM's account opening documents. A copy of all relevant disclosure documents of the TPAM(s) and of the individual portfolio manager(s) will be provided to anyone interested in these programs/managers.

Outcome Driven Strategies, LLC

Cornerstone Advisory, LLC is under common ownership with Outcome Driven Strategies, LLC, an SEC-registered investment adviser offering sub-advisory services.

A complete description of the programs and services provided by Outcome Driven Strategies, LLC, including the amount of total fees, the payment structure, termination provisions and other aspects of each program are detailed and disclosed in their ADV Part 2A and/or applicable account agreements.

Financial Planning Services

We offer broad-based and consultative financial planning services. Financial planning will typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. Once we specify those long-term objectives (both financial and non-financial), we will develop shorter-term, targeted objectives. Once we review and analyze the information, we will deliver a written plan designed to help you achieve your stated financial goals and objectives.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

Pension Consulting Services

We will provide pension consulting services to employee benefit plans and their fiduciaries based upon an analysis of the needs of the plan. In general, these services may include an existing plan review, asset allocation advice, communication and education services where we will assist the plan sponsor in providing meaningful information regarding the retirement plan to its participants, investment performance monitoring, non-discretionary asset allocation services, and/or ongoing consulting.

All employee benefit plans are regulated under the Employee Retirement Income Securities Act ("ERISA"). We will provide consulting services to the plan fiduciaries as described above. Typically, the named plan fiduciary must make the ultimate decision as to retaining the services of such investment advisers as we recommend. The plan fiduciary is free to seek independent advice about the appropriateness of any recommended services for the plan.

Sub-Advisory Services to Registered Investment Advisers

We offer sub-advisory services to unaffiliated third party money managers (the "Primary Investment Adviser"). As part of these services, we will provide model portfolios, which the Primary Investment Adviser selects for their clients. We will not directly manage the Primary Investment Adviser's individual client accounts. The Primary Investment Adviser will be responsible for selecting the appropriate model for its clients.

Types of Investments

We offer advice on equity securities, certificates of deposit, municipal securities, variable life insurance, variable annuities, mutual fund shares, United States government securities, options contracts on securities, private placements, money market funds, REITs, derivatives, structured products, ETFs and interests in partnerships investing in real estate.

Additionally, we may advise you on various types of investments based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

Since our investment strategies and advice are based on each client's specific financial situation, the investment advice we provide to you may be different or conflicting with the advice we give to other clients regarding the same security or investment.

IRA Rollover Recommendations

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you. When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable,

which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

We benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

Assets Under Management

As of December 31, 2023, we provide continuous management services for \$1,741,867,186 in client assets on a discretionary basis.

Item 5 Fees and Compensation

Portfolio Management Services

Our fee for portfolio management services is based on a percentage of your assets we manage and is set forth in the following fee schedule:

Assets Under Management*	Blended Annualized Fee
\$0 - \$1,000,000	0.95
\$1,000,000 - \$2,000,000	0.85
\$2,000,000 - \$5,000,000	0.75
\$5,000,000 - \$10,000,000	0.70
\$10,000,000 - \$20,000,000	0.65
\$20,000,000+	0.50

*Our minimum account size is \$500,000 and/or our minimum annual fee is \$5,000. Please refer to Item 7 *Types of Clients* of this brochure for additional information.

In certain circumstances, we impose an additional fee for extraordinary services, which may be waived at the sole discretion of us. These services include, but are not limited to, trust disbursement services for the benefit of a Client estate and/or related probate matters. We shall perform such extraordinary services specifically related to trust disbursements at the rate of \$200.00 per hour, which amounts shall be included as an adjusted line item within the Client's quarterly management fee billing.

Our annual portfolio management fee shall be prorated and paid quarterly, in advance, based upon the available market value of the Assets at the close of the previous quarter. For the avoidance of doubt, the annual fee shall be prorated and applied to each deposit made in the account during the quarter. The fee will be reduced pro rata for each withdrawal from the account during the quarter. Fee adjustments for deposits and withdrawals, when applicable, will be made after the quarter in which the deposit or withdrawal occurred, as necessary, and will generally be included on the following quarter's

billing statement. No increase in the annual fee shall be effective without prior written notification to the Client. Fees are assessed on cash and cash equivalents as well as securities held in client accounts that are not selected or advised on by us, unless explicitly excluded under your investment management agreement. We rely on the custodian to determine the market value of securities when calculating our fees.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. At our sole discretion, fees and account minimums are negotiable, depending on individual client circumstances.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

We will send you an invoice for the payment of our advisory fee or will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. When cash levels are insufficient to pay our quarterly management fee, we may sell securities from your account to cover this fee. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

You may terminate the portfolio management agreement upon 30-days' written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

We encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian, please call our main office number located on the cover page of this brochure.

Outcome Driven Fund, L.P.

The Fund is offered to certain sophisticated investors, who meet certain requirements under applicable state and/or federal securities laws. Investors to whom the Fund is offered will receive a private placement memorandum and other offering documents. The fees charged by the Fund, which include an asset based fee and a performance based fee, are separate and apart from our portfolio management fees described above. As such, clients can incur additional fees and expenses attributable to our allocation of client assets in this fund. You should refer to the offering documents for a complete description of the fees, investment objectives, risks and other relevant information associated with investing in the Fund.

Recommendation of Third-Party Asset Managers

Advisory fees charged by Third Party Asset Managers ("TPAMs") are separate and apart from our advisory fees. Assets managed by TPAMs will be included in calculating our advisory fee, which is based on the fee schedule set forth in the "Portfolio Management Services" section in this Brochure. Advisory fees that you pay to the TPAM are established and payable in accordance with the disclosure brochure provided by each TPAM to whom you are referred. These fees may or may not be

negotiable. You should review the recommended TPAM's disclosure brochure and take into consideration the TPAM's fees along with our fees to determine the total amount of fees associated with this program.

As a component of our investment strategy, we utilize various alternative investments managed by TPAMs. Clients who invest a portion of their assets in these alternative investments will pay a monthly management fee on those assets. The management fee is based on month end net asset valuation (NAV). [For some accredited clients, performance fees may also be charged on these alternative investments]. Depending upon the circumstance, where the latest NAV is not readily available, we will utilize the last available NAV for fee calculation purposes.

Outcome Driven Strategies, LLC

When Cornerstone Advisory, LLC recommends the use of Outcome Driven Strategies, LLC, an SEC-registered investment adviser under common ownership with Cornerstone Advisory, LLC, a conflict of interest exists because Cornerstone receives a financial benefit for investments in Outcome Driven Strategies, LLC. This conflict is mitigated, however, because you are under no obligation, contractually or otherwise, to engage Outcome Driven Strategies, LLC.

Financial Planning Services

Our financial planning fees will be based on the negotiable schedules set forth below and as agreed upon between you and our firm.

- **Fixed Fees:** The negotiable fee for a financial plan will range between \$500 and \$5,000. The fees are determined in advance and disclosed to you prior to the time the Financial Planning Agreement is executed. We require that the fee be paid upon completion of the services rendered.
- **Hourly Fees:** If you request specific consulting related services, we charge a negotiable hourly fee ranging between \$100 and \$300. These fees are calculated and payable at the completion of each session. Specific consulting services may be in the form of general advice given on retirement needs or education planning, among others. In these cases, you would not be charged for a written financial plan but instead will only be billed for hourly consultation with a professional. The hours required for consultation will vary from among clients.

The Financial Planning/Consulting fees may be negotiable based upon the complexity and scope of the plan as well as your financial situation and objectives. An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the time/cost could potentially exceed the initial estimate. In such cases, we will notify you and will request that you approve applicable additional fees. Typically, financial planning fees will be due upon presentation of the written plan. However, other fee payment arrangements may be negotiated. For example, particularly complex plans may require prepayment of a portion of the estimated fee for services. For lengthy engagements, interim payments may be requested. In no circumstance will we require prepayment of a fee more than six months in advance and in excess of \$1,200.

If you make use of our portfolio management services, we may, at our sole discretion, offset the cost of the financial planning and/or consulting services rendered for the advisory fees earned. The scope and complexity of the services that were provided will determine the waiver or offset of the fee.

You may terminate the financial planning agreement by providing written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

Pension Consulting Services

The annual fee for pension consulting services is billed quarterly in advance based on the market value of the plan assets on the last day of the preceding month. Fees will be assessed pro rata in the event the portfolio management agreement is executed at any time other than the first day of month. On an annualized basis, our fees for pension consulting services, subject to negotiation, are 0.10% to 0.75% of plan assets. The fees and terms will be clearly set forth in the executed agreement for services. The fees charged to you will be based on the scope and complexity of the qualified plan and the requested services.

Either party may terminate the pension consulting agreement within five days of the date of execution without. After the five-day period, either party may terminate the agreement by providing 30 days written notice to the other party. Any unearned fees will be refunded to you.

Sub-Advisory Services for Registered Investment Advisers

Fees and payment arrangements are negotiable and will vary on a case-by-case basis.

Additional Fees and Expenses

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. Furthermore, certain mutual fund families impose short-term trading charges (typically 1% to 2% of the original amount invested) which may not be waived for fee-based accounts. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this brochure.

Other Fees and Expenses

Some recommended custodians charge additional charges or transactional fees, foreign transaction costs charged by the executing broker dealer or step-out/trade away fees charged by a prime broker for certain transactions, which would be paid by the client.

For clients investing in mutual funds, we require that you purchase the share class most beneficial to you, generally the institutional or advisory share class. In some cases, these share classes are not made available by the sponsor fund. Here, Cornerstone will seek a comparable, similar mutual fund that provides an advisory share class, and offer the fund and share class to you. If no comparable fund with an advisory share class is available, you may pay higher fees that include 12b-1 fees.

Class A shares that transfer into Client accounts are periodically converted to the advisory or institutional share class. The firm requires advisory or institutional share classes in accounts, and does not permit purchases of Class A, B or C shares in advisory accounts unless there is no advisory share class available, and no similar mutual fund with an advisory share class. Although we anticipate that this would occur infrequently, the purchase would be made at Net Asset Value ("NAV").

You may incur other charges imposed by unaffiliated third parties including, but are not limited to: (i) any dealer markups and odd-lot differentials, SEC imposed fees and transfer taxes; (ii) charges imposed by broker-dealers and custodians and fees for other products and services that we may offer; (iii) margin interest and operation fees and charges; (iv) custodial and other IRA fees; and (v) any

redemption fees, exchange fees or similar fees imposed in connection with certain mutual fund transactions. You are directed to the Custodian's account opening documents and/or information package provided by the broker-dealer/custodian and/or made available on the broker-dealer / custodian's website for specific information regarding the exact nature and amount of such additional fees and costs. We reserve the right to impose additional fees for extraordinary services such as Qualified Order, Cost Basis Retrieval and Trust Disbursements for consistency with our Investment Management Agreement. You are encouraged to speak with us for more information.

Margin

We may trade client accounts on margin. Each client must elect to add margin upon signing the account opening application or may sign a separate agreement to add margin to an account already established, before margin is extended to that client account. Fees for advice and execution on these securities are based on the total asset value of the account, which includes the value of the securities purchased on margin. While a negative amount may show on a client's statement for the margined security as the result of a lower net market value, the amount of the fee is based on the absolute market value. This creates a conflict of interest where we have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved.

Compensation for the Sale of Other Investment Products

Certain persons providing investment advice on behalf of our firm may be licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Fees and Compensation* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, business entities, and a private pooled investment vehicle.

In general, we require a minimum of \$500,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum. Alternatively we may require a minimum fee of \$5,000 per year.

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

Our Methods of Analysis and Investment Strategies

We employ a wide range of methods to manage portfolios and evaluate investments when making investment decisions. Our methods of analysis and investment strategies incorporate a client's investment goals, time horizon, and risk tolerance. By using sophisticated probability analysis tools, we are able to assess the likelihood of achieving those goals. Our process allows us to move from simple, static financial planning to a dynamic model that is a more relevant planning approach. The use of wealth forecasting allows us to manage our clients' assets from a "planning first" perspective. Examples of analysis and methodologies that our investment strategies may incorporate include:

- Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Cyclical Analysis - a type of technical analysis that involves evaluating recurring price patterns and trends.
- Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.
- Short Sales - a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.
- Margin Transactions - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.
- Option Writing - a securities transaction that involves selling an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.
- Utilization of Alternative Investments (Partnerships, Hedge Funds, etc.)

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Risks of methods of analysis:

Fundamental Analysis - The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

Cyclical Analysis - Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk.

We may use investment strategies that involve buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses during a volatile market. A change in the securities held in a portfolio is known as "portfolio turnover." Higher portfolio turnover is a result of frequent trading and involves correspondingly greater expenses to a portfolio, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities. Such sales may also represent tax risk. The trading costs and tax risk associated with portfolio turnover may adversely affect a client's portfolio performance.

Utilization of Alternative Investments (Partnerships, Hedge Funds, Certain Mutual Funds, etc.) - Strategies utilizing alternative investments are generally made with the objective for long-term appreciation and are subject to limited liquidity. Investors in private equity partnerships and funds may have all or a portion of their investment conditional upon the respective fund(s)' redemption and/or liquidity limits. When we invest in private equity partnerships or securities not managed by us, we have limited control over the management of such investments. Alternative investment strategies pursued by the funds may be subject to additional risks including, but not limited to, derivatives risk, liquidity risk of underlying securities, credit risk and commodities risk. Certain alternative strategies involve the risk that a counterparty to a transaction will not perform as promised, which would incur losses to a fund. Furthermore, alternative strategies may employ leverage, involve extensive short positions and/or focus on narrow segments of the market, which may magnify the overall risks and volatility associated with such investments.

For more detailed discussions of the specific risks associated with Alternative Investments, please refer to the respective prospectuses and Private Placement Memorandum(s). The risk of loss described herein should not be considered to be an exhaustive list of all the risks which clients should consider.

Interval Fund - We may recommend or purchase shares of interval funds for clients when consistent with a client's investment objectives. An interval fund is a type of closed-end fund (mutual fund) that is not listed on an exchange. Interval funds periodically offer to repurchase a limited percentage of outstanding shares, as defined in its prospectus, from its shareholders. Interval funds are generally designed for long-term investors who do not require daily liquidity. Therefore, the shares are subject to periodic redemption offers by the fund at a price based on net asset value. Accordingly, interval funds are subject to liquidity constraints. Interval funds that invest in securities of companies with smaller market capitalizations, derivatives, or securities with substantial market and/or credit risk tend to have the greatest exposure to liquidity risk. Generally, the interval funds we recommend offer a one to two week period, on a quarterly basis, during which the client may seek the redemption of previously purchased interval funds. Given the lack of secondary market, the infrequent nature of the offers to buy back shares, and the liquidity gates (or re-purchase limits), clients should consider the shares of interval funds to be illiquid. For information about the material risks associated with the fund's investment strategies and other disclosures, please see the fund's prospectus.

General Risks

Active Management Risk: The success of a client's account that is actively managed depends upon the investment skills and analytical abilities of the portfolio manager to develop and effectively implement strategies that achieve the client's investment objective. Subjective decisions made by the portfolio manager may cause a client portfolio to incur losses or to miss profit opportunities on which it may have otherwise capitalized.

Coronavirus Outbreak Risks: The outbreak of the 2019 novel coronavirus ("COVID-19"), together with resulting voluntary and U.S. federal and state and non-U.S. governmental actions, mandatory business closures, restrictions on travel and quarantines, has disrupted the global economy and markets. The effects of COVID-19 have and may continue to adversely affect the global economy, the economies of certain nations and individual issuers, all of which may negatively impact the performance of client portfolios.

Cybersecurity Risk: With the increased use of technologies such as the Internet to conduct business, a portfolio is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events include, but are not limited to, gaining unauthorized access to digital systems, 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 and the issuers of securities in which the portfolio invests, 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.

Liquidity Risk: A client portfolio is exposed to liquidity risk when trading volume, lack of a market maker or trading partner, large position size, market conditions, or legal restrictions impair its ability to sell particular investments or to sell them at advantageous market prices. Consequently, a client portfolio may have to accept a lower price to sell an investment or continue to hold it or keep the position open, sell other investments to raise cash or give up an investment opportunity, any of which could have a negative effect on the portfolio's performance. These effects may be exacerbated during times of financial or political stress.

Market Risk: The values and prices of securities may fluctuate in reaction to tangible events such as an underlying security's operating results or to intangible events such as political, social, economic, or the forces of investor supply and demand. Security values may decline upon negative influences from any of these circumstances.

Use of Third-Party Investment Advisers Risk: We examine the experience, expertise, investment philosophies, and past performance of selected third-party investment advisers to determine if that adviser 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. The 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 adviser's portfolio, there is also a risk that an adviser may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for clients. Moreover, as we do not control the adviser's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Recommendation of Particular Types of Securities

We recommend various types of securities and we do not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities we may recommend to you and some of their inherent risks are provided below.

Money Market Funds: A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tends to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

Certificates of Deposit: Certificates of deposit ("CD") are generally a safe type of investment since they are insured by the Federal Deposit Insurance Company ("FDIC") up to a certain amount. However, because the returns are generally low, there is risk that inflation outpaces the return of the CD. Certain CDs are traded in the market place and not purchased directly from a banking institution. In addition to trading risk, when CDs are purchased at a premium, the premium is not covered by the FDIC.

Municipal Securities: Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

Stocks: There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual Funds and Exchange Traded Funds: Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification,

risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but which are expected to yield similar performance.

Variable Annuities: A variable annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point, the contract will terminate, and the remainder of the funds accumulated forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities, pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as mortality and expense risk charges; administrative fees; underlying fund expenses; and charges for special features, all of which can reduce the return. Earnings in a variable annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax-deferred vehicles which are held for more than one year. Proceeds of most variable annuities do not receive a "step-up" in cost basis when the owner dies like stocks, bonds and mutual funds do. Some variable annuities offer "bonus credits." These are usually not free. In order to fund them, insurance companies typically impose mortality and expense charges and surrender charge periods. In an exchange of an existing annuity for a new annuity (so-called 1035 exchanges), the new variable annuity may have a lower contract value and a smaller death benefit; may impose new surrender charges or increase the period of time for which the surrender charge applies; may have higher annual fees; and provide another commission for the broker.

Real Estate Investment Trust: A real estate investment trust ("REIT") is a corporate entity which invests in real estate and/or engages in real estate financing. A REIT reduces or eliminates corporate income taxes. REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges. REITs are required to declare 90% of their taxable income as dividends, but they actually pay dividends out of funds from operations, so cash flow has to be strong or the REIT must either dip

into reserves, borrow to pay dividends, or distribute them in stock (which causes dilution). After 2012, the IRS stopped permitting stock dividends. Most REITs must refinance or erase large balloon debts periodically. The credit markets are no longer frozen, but banks are demanding, and getting, harsher terms to re-extend REIT debt. Some REITs may be forced to make secondary stock offerings to repay debt, which will lead to additional dilution of the stockholders. Fluctuations in the real estate market can affect the REIT's value and dividends.

Limited Partnerships: A limited partnership is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner has management authority and unlimited liability. The general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority and their liability is limited to the amount of their capital commitment. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership. The range of risks are dependent on the nature of the partnership and disclosed in the offering documents if privately placed. Publicly traded limited partnership have similar risk attributes to equities. However, like privately placed limited partnerships their tax treatment is under a different tax regime from equities. You should speak to your tax adviser in regard to their tax treatment.

Options Contracts: Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you only invest in options with risk capital. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date"). The two types of options are calls and puts:

A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires.

A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

Selling options is more complicated and can be even riskier.

The option trading risks pertaining to options buyers are:

- Risk of losing your entire investment in a relatively short period of time.
- The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call option) or if the stock is higher than the strike price of the put (for a put option).
- European style options which do not have secondary markets on which to sell the options prior to expiration can only realize its value upon expiration.
- Specific exercise provisions of a specific option contract may create risks.
- Regulatory agencies may impose exercise restrictions, which stops you from realizing value.

The option trading risks pertaining to options sellers are:

- Options sold may be exercised at any time before expiration.
- Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock.

- Writers of Naked Calls risk unlimited losses if the underlying stock rises.
- Writers of Naked Puts risk substantial losses if the underlying stock drops.
- Writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker.
- Writers of call options could lose more money than a short seller of that stock could on the same rise on that underlying stock. This is an example of how the leverage in options can work against the option trader.
- Writers of Naked Calls are obligated to deliver shares of the underlying stock if those call options are exercised.
- Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options.
- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
- The value of the underlying stock may surge or decline unexpectedly, leading to automatic exercises.

Other option trading risks are:

- The complexity of some option strategies is a significant risk on its own.
- Option trading exchanges or markets and option contracts themselves are open to changes at all times.
- Options markets have the right to halt the trading of any options, thus preventing investors from realizing value.
- Risk of erroneous reporting of exercise value.
- If an options brokerage firm goes insolvent, investors trading through that firm may be affected.
- Internationally traded options have special risks due to timing across borders.

Risks that are not specific to options trading include market risk, sector risk and individual stock risk. Option trading risks are closely related to stock risks, as stock options are a derivative of stocks.

Alternative Investments/Private Fund Oversight

For private (illiquid) investment opportunities, after an initial review, the CIO assess the investment on the following metrics: Investment philosophy and process, track record, firm stability, investment management team longevity, incentive structures, liquidity constraints, and investment fees, among others. After an initial call to assess these factors, the CIO will follow up with a specific list of questions to address during follow-up in-person meetings or calls. In addition to a review of all fund documents, the CIO will ask to see a Due Diligence questionnaire. If not available, the CIO requests responses to diligence questions with a focus on operational due diligence. If the CIO is not familiar with the team, the CIO sets up reference calls to attest to the firm's strategy, investment process, track record, and overall competency. For asset specific investments, the following additional diligence review items are assessed: valuation versus comparative assets, competitive positioning, a review of asset cashflow projections, deal dynamics, and investment structure.

All investments require the approval of the CIO/Investment Committee.

Derivatives: Derivatives are types of investments where the investor does not own the underlying asset. There are many different types of derivative instruments, including, but not limited to, options, swaps, futures, and forward contracts. Derivatives have numerous uses as well as various risks associated with them, but they are generally considered an alternative way to participate in the market. Investors typically use derivatives for three reasons: to hedge a position, to increase leverage, or to speculate on an asset's movement. The key to making a sound investment is to fully understand the

characteristics and risks associated with the derivative, including, but not limited to counter-party, underlying asset, price, and expiration risks. The use of a derivative only makes sense if the investor is fully aware of the risks and understands the impact of the investment within a portfolio strategy. Due to the variety of available derivatives and the range of potential risks, a detailed explanation of derivatives is beyond the scope of this disclosure.

Structured Products: A structured product, also known as a market-linked product, is generally a pre-packaged investment strategy based on derivatives, such as a single security, a basket of securities, options, indices, commodities, debt issuances, and/or foreign currencies, and to a lesser extent, swaps. Structured products are usually issued by investment banks or affiliates thereof. They have a fixed maturity, and have two components: a note and a derivative. The derivative component is often an option. The note provides for periodic interest payments to the investor at a predetermined rate, and the derivative component provides for the payment at maturity. Some products use the derivative component as a put option written by the investor that gives the buyer of the put option the right to sell to the investor the security or securities at a predetermined price. Other products use the derivative component to provide for a call option written by the investor that gives the buyer of the call option the right to buy the security or securities from the investor at a predetermined price. A feature of some structured products is a "principal guarantee" function, which offers protection of principal if held to maturity. However, these products are not always Federal Deposit Insurance Corporation insured; they may only be insured by the issuer, and thus have the potential for loss of principal in the case of a liquidity crisis, or other solvency problems with the issuing company. Investing in structured products involves a number of risks including but not limited to: fluctuations in the price, level or yield of underlying instruments, interest rates, currency values and credit quality; substantial loss of principal; limits on participation in any appreciation of the underlying instrument; limited liquidity; credit risk of the issuer; conflicts of interest; and, other events that are difficult to predict.

Private Placements: A private placement (non-public offering) is an illiquid security sold to qualified investors and are not publicly traded nor registered with the Securities and Exchange Commission.

Risk: Private placements generally carry a higher degree of risk due to illiquidity. Most securities that are acquired in a private placement will be restricted securities and must be held for an extended amount of time and therefore cannot be sold easily. The range of risks are dependent on the nature of the partnership and are disclosed in the offering documents.

Pooled Investment Vehicles

We may recommend that you invest in the Outcome Driven Fund, L.P., which is a proprietary pooled investment vehicle. The Fund has a specific investment strategy, method of analysis and risks. The Fund is offered only by private placement memorandum and other offering documents. Investors should refer to the memorandum and offering documents for a complete description of all relevant information concerning the Funds.

Item 9 Disciplinary Information

Cornerstone Advisory, LLC has been registered and providing investment advisory services since 2006. Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

Item 10 Other Financial Industry Activities and Affiliations

Insurance

Certain persons providing investment advice on behalf of our firm may be licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. Please see the "Fees and Compensation" section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

Arrangements with Affiliated Entities

We are affiliated with Cornerstone Direct, LLC, through common control and ownership. Donald S. Huber, Jr., Thomas N. Biddison, III and Erik D. Johnson (Principals of our firm) are Principals, Owners and Members of Cornerstone Direct, LLC.

Cornerstone Advisory, LLC is the manager and investment adviser to the Outcome Driven Fund, L.P., ("the Fund"), a pooled investment vehicle in which you may be solicited to invest. Cornerstone Management Partners, LLC, a related entity, serves as the general partner to the Fund. Thomas N. Biddison III, Donald S. Huber, Jr., and Erik Johnson are managers and members of Cornerstone Management Partners, LLC. The Fund is offered to certain sophisticated investors, who meet certain requirements under applicable state and/or federal securities laws. Investors to whom the Fund is offered will receive a private placement memorandum and other offering documents. The fees charged by the Fund are separate and apart from our advisory fees. You should refer to the offering documents for a complete description of the fees, investment objectives, risks and other relevant information associated with investing in the Fund. You are strongly encouraged to seek independent legal counsel prior to investing in these private investment vehicles. These investments are not protected by SIPC. Refer to the *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* section below for additional disclosures on this topic.

We are affiliated with Outcome Driven Strategies, LLC through common control and ownership. We will recommend that you use the services of our affiliate if appropriate and suitable for your needs. Our advisory services are separate and distinct from the fees paid to our affiliate for their services.

The referral arrangements we have with our affiliated entities present a conflict of interest because we may have a financial incentive to recommend our affiliates' services. While we believe that compensation charged by our affiliates are competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. You are under no obligation to use our affiliates' services and may obtain comparable services and/or lower fees through other firms.

Recommendation of Third-Party Asset Managers

We may recommend that you use a third-party asset manager based on your needs and suitability. We will not receive separate compensation, directly or indirectly, from the third-party asset manager for recommending that you use their services. Moreover, we do not have any other business relationships with the recommended third-party asset manager. Refer to the *Advisory Business* section above for additional disclosures on this topic.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

Participation or Interest in Client Transactions

As stated above, we serve as the investment manager to the Outcome Driven Fund, L.P., a pooled investment vehicle in which you may be solicited to invest. Persons associated with our firm may have significant investments in the Fund and may therefore have an incentive to recommend the Fund over other investments. If you are an investor in the Fund, please refer to the Funds' offering documents for detailed disclosures regarding the Fund.

Personal Trading Practices

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

Item 12 Brokerage Practices

We maintain relationships with several broker-dealers. While you are free to choose any broker-dealer or other service provider, we recommend that you establish an account with a brokerage firm with which we have an existing relationship. Such relationships may include benefits provided to our firm, including but not limited to market information and administrative services that help our firm manage your account(s). We believe that recommended broker-dealers provide quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by recommended broker-dealers, including the value of the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of the services recommended broker-dealers provide, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

The custodian and brokers we use

We do not maintain custody of your assets[that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15—Custody, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker- dealer, member SIPC, as the qualified custodian.

We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when [we/you] instruct them to. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client referrals and other compensation). You should consider these conflicts of interest when selecting your custodian.

We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see "Your brokerage and custody costs").

How we select brokers/custodians

We seek to recommend a custodian/broker that will hold your assets and execute transactions. When considering whether the terms that Schwab provides are, overall, most advantageous to you when compared with other available providers and their services, we consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds "[ETFs]", etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, security, and stability
- Prior service to us and our clients
- Availability of other products and services that benefit us, as discussed below (see "Products and services available to us from Schwab")

Your brokerage and trading costs

For our clients' accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Certain trades (for example, many mutual funds, and U.S. exchange-listed equities and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, to minimize your trading costs, we have Schwab execute most trades for your account.

We are not required to select the broker or dealer that charges the lowest transaction cost, even if that broker provides execution quality comparable to other brokers or dealers. Although we are not required to execute all trade through Schwab, we have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "How we select brokers/ custodians"). By using another broker or dealer you may pay lower transaction costs.

Products and services available to us from Schwab

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like ours. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through our firm. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are generally available at no charge to us. Following is a more detailed description of Schwab's support services:

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

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

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

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

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

Schwab provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. Schwab also provides us with other benefits, such as occasional business entertainment of our personnel. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources.

Our interest in Schwab's services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a conflict of interest. We believe, however, that taken in the aggregate, our recommendation of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "How we select brokers/custodians") and not Schwab's services that benefit only us.

Research and Other Soft Dollar Benefits

We recommend that a client in need of brokerage and custodial services utilize Schwab Advisor Services, division of Charles Schwab & Co., Inc. ("Schwab"), member FINRA/SIPC. Schwab are independent and unaffiliated SEC-registered broker-dealers. Schwab offer services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. It may be the case that the recommended broker charges a higher fee than another broker charges for a particular type of service, such as commission rates. You may utilize the broker-dealer of your choice. You have no obligation to purchase or sell securities through a broker we recommend.

The client along with the advisor can select Schwab as custodians for their account. These custodians will determine the amount of commissions and other charges to be paid for each transaction. These custodians have agreements with Cornerstone Advisory, LLC.

The products and services we receive from broker-dealers will generally be used in servicing all of our clients' accounts. Our use of these products and services will not be limited to the accounts that paid commissions to the broker-dealer for such products and services. As part of our fiduciary duties to you, we endeavor at all times to put your interests first. You should be aware that the receipt of economic benefits by our firm is considered to create a conflict of interest.

Our participation in the following institutional platforms does not constitute a formal soft dollar agreement. However, we do receive economic benefits as a result of our participation as itemized below.

Schwab Advisor Services provides us with access to its institutional trading and operations services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers at no charge to them so long as a total of at least \$10 million of client account assets are maintained at Schwab. Schwab services may include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional investors or would require significantly higher minimum initial investments. Schwab also makes available to us other products and services that benefit us but may not benefit all of our clients' accounts. These include software and other technology that provide access to your account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information and other market data, facilitate payment of our fees from your accounts, and assist with back-office support, recordkeeping and reporting. The availability to us of the foregoing products and services is not contingent upon us committing to Schwab any specific amount of business (assets in custody or trading).

Brokerage for Client Referrals

We may receive client referrals from Schwab through our participation in Schwab Advisor Network. In addition to meeting the minimum eligibility criteria for participation in the referral program, including the amount and profitability of the assets in, and trades placed for, our clients' accounts maintained with Schwab. Schwab is an independent broker-dealer. We are not affiliated with Schwab and there is no employee or agency relationship between Schwab and our firm. Schwab has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisers. Schwab does not supervise our firm and has no responsibility for the management of your portfolios or other advice or services we offer. We may pay Schwab a fee for each successful referral. This fee is usually a percentage of the advisory fee that you pay to our firm (Solicitation Fee). We may also pay Schwab the Solicitation Fee on any advisory fees received by our firm from any of your family members, including a spouse, child, or any other family member who resides with you and who has hired our firm on your recommendation. If you are referred to our firm through a referral program, we will not charge you any additional fees or costs in excess of our standard fee schedule. We will not pass Solicitation Fees paid to Schwab on to you.

Our participation in a referral program raises a conflict of interest. Schwab will most likely refer you to investment advisors that encourage investors to custody their assets at Schwab and whose accounts are profitable to Schwab. Consequently, we have an incentive to recommend a particular Schwab to you for custodial and brokerage services based on an interest in obtaining referrals from Schwab, rather than on your sole interest in receiving favorable execution. In addition, we have agreed not to solicit clients referred to our firm through a referral program to transfer their accounts from Schwab or to establish brokerage or custody accounts at other custodians, except when it is our fiduciary duty to do so. Our participation in a referral program does not diminish our duty to seek best execution of trades for your accounts.

Our procedures governing directing brokerage in exchange for client referrals mandates that we consider disproportionate commissions generated as a result of such arrangements and exclude consideration of fees generated by referred clients in our periodic evaluation of best execution.

We may also receive client referrals from registered representatives of various unaffiliated broker-dealers. We will typically execute all of the client's trades through the registered representatives who referred the client to our firm. A conflict of interest exists because we have an incentive to execute client transactions through these registered representatives in exchange based on the expectation of continued referrals. This arrangement could cause clients to pay higher commission rates than those available through other broker-dealers that we generally recommend that are not based on a referral. However, clients are not obligated to use the services of the referring registered representative and should discuss available alternatives with our firm.

Directed Brokerage

We routinely recommend that you direct our firm to execute transactions through Schwab. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

Block Trades

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account

performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

Mutual Fund Share Classes

Mutual funds are sold with different share classes, which carry different cost structures. Each available share class is described in the mutual fund's prospectus. When we purchase, or recommend the purchase of, mutual funds for a client, we select the share class that is deemed to be in the client's best interest, taking into consideration cost, tax implications, and other factors. When the fund is available for purchase at net asset value, we will purchase, or recommend the purchase of, the fund at net asset value. We also review the mutual funds held in accounts that come under our management to determine whether a more beneficial share class is available, considering cost, tax implications, and the impact of contingent deferred sales charges.

Item 13 Review of Accounts

Advisory Accounts

The following personnel review and monitor your accounts on an ongoing basis and will conduct account reviews and performance at each meeting with you and will offer to meet with you no less than annually:

- Donald S. Huber, Jr., Principal
- Thomas N. Biddison, III, Principal
- Erik D. Johnson, Principal
- Michael LaViña, Portfolio Manager
- R. Michael Gill, Portfolio Manager
- Jim Foxen
- Patrick Ryan
- Chris Pesota

Trigger factors of additional reviews include, but are not limited to, changes in your circumstances, changes in world economic events, and a request from you for additional reviews.

The individuals conducting reviews may vary from time to time, as personnel join or leave our firm.

We provide annual reports to you detailing the investment performance of your account. The custodian holding your funds and securities will send you trade confirmations and brokerage statements at least quarterly.

Financial Plans

Your advisor will review financial plans as needed, depending on the arrangements made with you at the inception of your advisory relationship to ensure that the advice provided is consistent with your investment needs and objectives. Generally, we will contact you periodically to determine whether any updates may be needed based on changes in your circumstances. Changed circumstances may include, but are not limited to marriage, divorce, birth, death, inheritance, lawsuit, retirement, job loss and/or disability, among others. We recommend meeting with you at least annually to review and update your plan if needed. Additional reviews will be conducted upon your request. Such reviews and updates may be subject to our then current hourly rate. Written updates to the financial plan may be provided in conjunction with the review. If you implement financial planning advice, you will receive trade confirmations and monthly or quarterly statements from relevant custodians.

Item 14 Client Referrals and Other Compensation

As disclosed under the "Fees and Compensation" section in this brochure, persons providing investment advice on behalf of our firm are licensed insurance agents. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

Please refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with Schwab.

We directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our Solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

Client Referrals from Charles Schwab

Cornerstone Advisory, LLC receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through Cornerstone Advisory, LLC's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Cornerstone Advisory, LLC. Schwab does not supervise Cornerstone Advisory, LLC and has no responsibility for Cornerstone Advisory, LLC's management of clients' portfolios or Advisor's other advice or services. Cornerstone Advisory, LLC pays Schwab fees to receive client referrals through the Service. Cornerstone Advisory, LLC participation in the Service may raise potential conflicts of interest described below.

Cornerstone Advisory, LLC pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Cornerstone Advisory, LLC is a percentage of the fees the client owes to Cornerstone Advisory, LLC or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Cornerstone Advisory, LLC pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Cornerstone Advisory, LLC quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Cornerstone Advisory, LLC and not by the client. Cornerstone Advisory, LLC has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Cornerstone Advisory, LLC charges clients with similar portfolios who were not referred through the Service.

Cornerstone Advisory, LLC generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, Cornerstone Advisory, LLC will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Cornerstone Advisory, LLC's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Cornerstone Advisory, LLC will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Cornerstone Advisory, LLC's fees directly from the accounts.

For accounts of Cornerstone Advisory, LLC's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Cornerstone Advisory, LLC's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Cornerstone Advisory, LLC may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Cornerstone Advisory, LLC nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Cornerstone Advisory, LLC's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Item 15 Custody

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

Private Investment Companies

We serve as investment adviser and management company to the Outcome Driven Fund, L.P., (the "Fund," whether one or more), a private pooled investment vehicle. Cornerstone Management Partners, LLC, a related entity serves as general partner to the Fund. The Fund is offered only to certain sophisticated investors, who meet certain requirements under applicable state and/or federal securities laws. Investors to whom the Fund is offered will receive a private placement memorandum and other offering documents. The fees charged by the Fund are separate and apart from our advisory fees. You should refer to the offering documents for a complete description of the fees, investment objectives, risks and other relevant information associated with investing in the Fund. Persons affiliated with our firm may have made an investment in the Fund and may have an incentive to recommend the Fund over other investments.

In our capacity as investment adviser to the Fund, we will have access to the Funds' funds and securities, and therefore are deemed to have custody over such funds and securities. In accordance with the offering documents of the Funds, we provide each investor in the Fund with audited annual financial statements within 120-days of the Funds' fiscal year end. We provide each investor in the Outcome Driven Fund, L.P., with audited annual financial statements. If you are a Fund investor and have questions regarding the financial statements or if you did not receive a copy of the financial statements, please contact Thomas N. Biddison III, at 410-468-1695.

Trustee Services

Persons associated with our firm may serve as trustees to certain accounts for which we also provide investment advisory services. In all cases, the persons associated with our firm have been appointed trustee as a result of a family or personal relationship with the trust grantor and/or beneficiary and not as a result of employment with our firm. Therefore, we are not deemed to have custody over the advisory accounts for which persons associated with our firm serve as trustee.

Wire Transfer and/or Standing Letter of Authorization

Our firm, or persons associated with our firm, may effect wire transfers from client accounts to one or more third parties designated, in writing, by the client without obtaining written client consent for each separate, individual transaction, as long as the client has provided us with written authorization to do so. Such written authorization is known as a Standing Letter of Authorization. An adviser with authority to conduct such third party wire transfers has access to the client's assets, and therefore has custody of the client's assets in any related accounts.

However, we do not have to obtain a surprise annual audit, as we otherwise would be required to by reason of having custody, as long as we meet the following criteria:

1. You provide a written, signed instruction to the qualified custodian that includes the third party's name and address or account number at a custodian;
2. You authorize us in writing to direct transfers to the third party either on a specified schedule or from time to time;
3. Your qualified custodian verifies your authorization (e.g., signature review) and provides a transfer of funds notice to you promptly after each transfer;
4. You can terminate or change the instruction;
5. We have no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party;
6. We maintain records showing that the third party is not a related party to us nor located at the same address as us; and
7. Your qualified custodian sends you, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

We hereby confirm that we meet the above criteria.

Item 16 Investment Discretion

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the *Advisory Business* section in this brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

Item 17 Voting Client Securities

Proxy Voting

Generally, the Company does not vote proxies on behalf of its clients, although, there are minimal exceptions depending upon the account registration. Those registration exceptions are Charles Schwab Trust Company accounts and Direct Indexing accounts. Pursuant to Schwab's protocol, those registrations must utilize Advisor Proxy Voting by default. Cornerstone Advisory is responsible for voting Charles Schwab Trust Company accounts and Goldman Sachs is responsible for voting Direct Indexing accounts. It is the Clients' responsibility to vote all other registration types.

Item 18 Financial Information

We have not filed a bankruptcy petition at any time in the past ten years.

Item 19 Requirements for State-Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

Item 20 Additional Information

Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any non-public personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to non-public personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your non-public personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the trade error will be corrected in the trade error account of the executing broker-dealer, and you will not keep the profit.

Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

IRA Rollover Considerations

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
 - a. Employer retirement plans generally have a more limited investment menu than IRAs.
 - b. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
 - a. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
 - b. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.

3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 72.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
 - a. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.