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3/30/2011

**FORM ADV PART 2
BROCHURE**

This brochure provides information about the qualifications and business practices of Cornerstone Advisors, Inc.("Cornerstone"). If you have any questions about the contents of this brochure, please contact us at 828-210-8184. 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 is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Cornerstone is 110554 .

Cornerstone 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.

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Advisory Business

Form ADV Part 2A, Item 4

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).

Notes: (1) For purposes of this item, your principal owners include the persons you list as owning 25% or more of your firm on Schedule A of Part 1A of Form ADV (Ownership Codes C, D or E). (2) If you are a publicly held company without a 25% shareholder, simply disclose that you are publicly held. (3) If an individual or company owns 25% or more of your firm through subsidiaries, you must identify the individual or parent company and intermediate subsidiaries. If you are an SEC-registered adviser, you must identify intermediate subsidiaries that are publicly held, but not other intermediate subsidiaries. If you are a state-registered adviser, you must identify all intermediate subsidiaries.

Cornerstone was organized in 2001 to provide investment management services to closed-end investment companies and is registered with the SEC. Gary A. Bentz and Ralph W. Bradshaw are the only stockholders of Cornerstone.

B. Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.

Cornerstone provides investment advisory services for closed-end investment companies, for which related persons of Cornerstone may serve as officers, directors, or trustees.

C. Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.

Cornerstone uses proprietary as well as otherwise available techniques for determining "fair values" for various securities and attempts to exploit inefficiencies in the prices of these items. Since each investment company client is unique in its investment goals, requirements, and restrictions, advisory services are tailored and monitored to remain in compliance with regulations, along with these limitations, to meet the client's investment objectives. Leverage through margin debt, if authorized by the client, may sometimes be used in an attempt to enhance return, realizing that this may also result in a somewhat higher risk.

D. If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.

As a provider of services to closed-end investment companies, Cornerstone does not participate in wrap fee programs.

E. If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date "as of" which you calculated the amounts.

Note: Your method for computing the amount of "client assets you manage" can be different from the method for computing "assets under management" required for Item 5.F in Part 1A. However, if you choose to use a different method to compute "client assets you manage," you must keep documentation describing the method

you use. The amount you disclose may be rounded to the nearest \$100,000. Your “as of” date must not be more than 90 days before the date you last updated your brochure in response to this [Item 4.E](#).

As of December 31, 2010, Cornerstone managed \$145,455,907.

Fees and Compensation

Form ADV Part 2A, Item 5

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.

Note: If you are an SEC-registered adviser, you do not need to include this information in a brochure that is delivered only to qualified purchasers as defined in section [2\(a\)\(51\)\(A\) of the Investment Company Act of 1940](#).

Cornerstone provides investment advisory services for closed-end investment companies. Cornerstone's standard fee schedule is as follows (lower fees for comparable services may be available from other sources):

A basic annual fee of 1.0% of assets under management payable monthly based on the average Net Asset Value. (Net Asset Value is defined as the sum of net equity across all of each client's managed accounts, including the effect of securities receivable and corresponding sums payable, plus any distributions, dividends, or tax credits receivable). This fee may be modified for special situations that would be outlined in the contract for advisory services with an individual client.

In addition to fees that clients pay for Cornerstone's services, assets invested in mutual funds or closed-end funds incur additional fees which may be charged by those holdings.

The client may terminate the advisory agreement at any time by giving written notice to Cornerstone, as outlined in the contract that establishes the relationship between Cornerstone and the client.

B. Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.

Clients are invoiced monthly for services, as detailed in each client's investment advisory agreement rendered by Cornerstone. These invoices are reviewed and approved by officers of the client and paid from client assets.

C. Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.

In addition to advisory services provided by Cornerstone, clients may also pay fees to separate providers for accounting, custody, or other services. Assets invested in mutual funds or closed-end funds incur additional fees which may be charged by those holdings. In the course of providing investment advisory services, clients will incur brokerage and other transaction costs.

Decisions regarding the placement of orders to purchase and sell investments for the client are made by Cornerstone. A substantial portion of the transactions in equity securities will occur on domestic stock exchanges. Transactions on stock exchanges involve the payment of brokerage commissions. In transactions on stock exchanges in the United States and some foreign exchanges, these commissions are negotiated. However, on many foreign stock exchanges these commissions are fixed. In the case of securities traded in the foreign and domestic over-the-counter markets, there is generally no stated commission, but the price usually includes an undisclosed commission or markup. Over-the-counter transactions will generally be placed directly with a principal market maker, although the Fund may place an over-the-counter order with a broker-dealer if a better price (including commission) and execution are available.

It is anticipated that most purchase and sale transactions involving fixed income securities will be with the issuer or an underwriter or with major dealers in such securities acting as principals. Such transactions are normally effected on a net basis and generally do not involve payment of brokerage commissions. However, the cost of securities purchased from an underwriter usually includes a commission paid by the issuer to the underwriter. Purchases or sales from dealers will normally reflect the spread between the bid and ask price. The policy regarding transactions for purchases and sales of securities is that primary consideration will be given to obtaining the most favorable prices and efficient executions of transactions. Consistent with this policy, when securities transactions are effected on a stock exchange, the policy is to pay commissions which are considered fair and reasonable without necessarily determining that the lowest possible commissions are paid in all circumstances. Cornerstone believes that a requirement always to seek the lowest commission cost could impede effective management and preclude Cornerstone from obtaining high quality brokerage and research services. In seeking to determine the reasonableness of brokerage commissions paid in any transaction, Cornerstone may rely on its experience and knowledge regarding commissions generally charged by various brokers and on its judgment in evaluating the brokerage and research services received from the broker effecting the transaction. Such determinations are necessarily subjective and imprecise, as in most cases an exact dollar value for those services is not ascertainable.

In seeking to implement its policies, Cornerstone will place transactions with those brokers and dealers who it believes provide the most favorable prices and which are capable of providing efficient executions. If Cornerstone believes such price and execution are obtainable from more than one broker or dealer, it may give consideration to placing transactions with those brokers and dealers who also furnish research or research related services. Such services may include, but are not limited to, any one or more of the following: information as to the availability of securities for purchase or sale; statistical or factual information or opinions pertaining to investments; and appraisals or evaluations of securities. The information and services received by Cornerstone from brokers and dealers may be of benefit in the management of accounts of other clients and may not in all cases benefit the client directly. While such services are useful and important in supplementing its own research and facilities, Cornerstone believes the value of such services is not determinable and does not significantly reduce its expenses.

D. If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.

Cornerstone fees are invoiced and paid after services have been rendered.

E. If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items [5.E.1](#), [5.E.2](#), [5.E.3](#) and [5.E.4](#).

Neither officers nor supervised employees of Cornerstone accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

1. Explain that this practice presents a conflict of interest and gives you or your supervised persons an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Describe generally how you address conflicts that arise, including your procedures for disclosing the conflicts to clients. If you primarily recommend mutual funds, disclose whether you will recommend "no-load" funds.

Not applicable

2. Explain that clients have the option to purchase investment products that you recommend through other brokers or agents that are not affiliated with you.

Not applicable

3. If more than 50% of your revenue from advisory clients results from commissions and other compensation for the sale of investment products you recommend to your clients, including asset-based distribution fees from the sale of mutual funds, disclose that commissions provide your primary or, if applicable, your exclusive compensation.

Not applicable

4. If you charge advisory fees in addition to commissions or markups, disclose whether you reduce your advisory fees to offset the commissions or markups.

Note: If you receive compensation in connection with the purchase or sale of securities, you should carefully consider the applicability of the broker-dealer registration requirements of the [Securities Exchange Act of 1934](#) and any applicable state securities statutes.

Not applicable

Performance-Based Fees and Side-By-Side Management

Form ADV Part 2A, Item 6

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.

Cornerstone is compensated based on a percentage of assets under management in each client account as detailed in each client's investment advisory contract. Neither Cornerstone nor any of its personnel accept performance-based fees.

Types of Clients

Form ADV Part 2A, Item 7

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.

Cornerstone offers advisory services to closed-end investment companies with assets in excess of a million dollars. Cornerstone reserves the right to change this amount or make exceptions if it seems advisable.

Methods of Analysis, Investment Strategies and Risk of Loss

Form ADV Part 2A, Item 8

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.

Cornerstone uses proprietary as well as otherwise available techniques for determining "fair values" for various securities and attempts to exploit inefficiencies in the prices of these items. Investing in securities involves risk of loss and clients should be aware of and prepared to bear such risk.

B. For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Investing involves risks, including the risk that a client may receive little or no return on its investment or that it may lose part or all of its investment. Therefore, before investing a client should consider carefully the following principal risks that are assumed when investing.

Stock Market Volatility. Stock markets can be volatile. In other words, the prices of stocks can rise or fall rapidly in response to developments affecting a specific company or industry, or to changing economic, political or market conditions. The client's investment is subject to the general risk that the value of its investments may decline if the stock markets perform poorly. There is also a risk that the client's investments will underperform either the securities markets generally or particular segments of the securities markets.

Investment Company Securities Risk. Investing in investment companies and ETFs involves substantially the same risks as investing directly in the underlying instruments, but the total return on such investments at the investment company level may be reduced by the operating expenses and fees of such other investment companies, including advisory fees. To the extent that a portion of the client's assets are invested in investment company securities, those assets will be subject to the risks of the purchased investment company's portfolio securities, and that investment will bear, indirectly, the expenses of the purchased investment company. There can be no assurance that the investment objective of any investment company or ETF in which client assets might be invested will be achieved.

Common Stock Risk. Common stocks represent an ownership interest in a company. Common stocks and similar equity securities are more volatile and more risky than some other forms of investment. Therefore, the value of the investment may sometimes decrease instead of increase. Common stock prices fluctuate for many reasons, including changes in investors' perceptions of the financial condition of an issuer, the general condition of the relevant stock market or when political or economic events affecting the issuers occur. In addition, common stock prices may be sensitive to rising interest rates, as the costs of capital rise for issuers. Because convertible securities can be converted into equity securities, their values will normally increase or decrease as the values of the underlying equity securities increase or decrease. Common stocks may be structurally subordinated to preferred securities, bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and assets and, therefore, will be subject to greater risk than the preferred securities or debt instruments of such issuers.

Foreign Securities Risk. Investments in securities of non-U.S. issuers involve special risks not presented by investments in securities of U.S. issuers, including the following: less publicly available information about companies due to less rigorous disclosure or accounting standards or regulatory practices; the impact of political, social or diplomatic events, including war; possible seizure, expropriation or nationalization of the company or its assets; and possible imposition of currency exchange controls. These risks are more pronounced to the extent that the client holds a significant amount of its investments in companies located in one region. These risks may be greater in emerging markets and in less developed countries. For example, prior governmental approval for foreign investments may be required in some emerging market countries, and the extent of foreign investment may be subject to limitation in other emerging countries.

Defensive Positions. During periods of adverse market or economic conditions, Cornerstone may temporarily invest all or a substantial portion of a client's assets in cash or cash equivalents. The client would not be pursuing its investment objective in these circumstances and could miss favorable market developments.

Management Risk. The client is subject to management risk because the investments are actively managed . The successful pursuit of the client's investment objective depends upon Cornerstone's ability to find and exploit market inefficiencies with respect to undervalued securities. Such situations occur infrequently and sporadically and may be difficult to predict, and may not result in a favorable pricing opportunity that allows Cornerstone to fulfill the client's investment objective. Cornerstone's security selections and other investment decisions might produce losses or cause the client's assets to underperform when compared to other closed-end investment companies with similar investment goals. If one or more key individuals leave the employ of Cornerstone, Cornerstone may not be able to hire qualified replacements, or may require an extended time to do so. This could prevent the client from achieving its investment objective.

Portfolio Turnover Risk. Cornerstone cannot predict a client's securities portfolio turnover rate with certain accuracy. However, higher portfolio turnover rates could result in corresponding increases in brokerage commissions and may generate short-term capital gains taxable as ordinary income.

C. If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.

Market Discount From Net Asset Value. Shares of closed-end investment companies frequently trade at a discount from their net asset value. This characteristic is a risk separate and distinct from the risk that the client's net asset value could decrease as a result of its investment activities. Because the market price of the investment will be determined by factors such as relative supply of and demand for the shares in the market, general market and economic conditions, and other factors beyond the control of Cornerstone, the client cannot predict whether the shares will trade at, below or above net asset value.

Disciplinary Information

Form ADV Part 2A, Item 9

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

If there are legal or disciplinary events that are material to a client's or prospective client's evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.

Items 9.A, 9.B, and 9.C list specific legal and disciplinary events presumed to be material for this Item. If your advisory firm or a management person has been involved in one of these events, you must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in your or the management person's favor, or was reversed, suspended or vacated, or (2) you have rebutted the presumption of materiality to determine that the event is not material (see Note below). For purposes of calculating this ten-year period, the "date" of an event is the date that the final order, judgment, or decree was entered, or the date that any rights of appeal from preliminary orders, judgments or decrees lapsed.

Items 9.A, 9.B, and 9.C do not contain an exclusive list of material disciplinary events. If your advisory firm or a management person has been involved in a legal or disciplinary event that is not listed in Items 9.A, 9.B, or 9.C, but nonetheless is material to a client's or prospective client's evaluation of your advisory business or the integrity of its management, you must disclose the event. Similarly, even if more than ten years have passed since the date of the event, you must disclose the event if it is so serious that it remains material to a client's or prospective client's evaluation.

Not applicable

A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which your firm or a management person

1. was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;

Not applicable

2. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;

Not applicable

3. was found to have been involved in a violation of an investment-related statute or regulation; or

Not applicable

4. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

Not applicable

B. An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which your firm or a management person

1. was found to have caused an investment-related business to lose its authorization to do business; or

Not applicable

2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority

(a) denying, suspending, or revoking the authorization of your firm or a management person to act in an investment-related business;

Not applicable

(b) barring or suspending your firm's or a management person's association with an investment-related business;

Not applicable

(c) otherwise significantly limiting your firm's or a management person's investment-related activities; or

Not applicable

(d) imposing a civil money penalty of more than \$2,500 on your firm or a management person.

Not applicable

C. A self-regulatory organization (SRO) proceeding in which your firm or a management person

1. was found to have caused an investment-related business to lose its authorization to do business; or

Not applicable

2. was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership;

(ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

Note: You may, under certain circumstances, rebut the presumption that a disciplinary event is material. If an event is immaterial, you are not required to disclose it. When you review a legal or disciplinary event involving your firm or a management person to determine whether it is appropriate to rebut the presumption of materiality, you should consider all of the following factors: (1) the proximity of the person involved in the disciplinary event to the advisory function; (2) the nature of the infraction that led to the disciplinary event; (3) the severity of the disciplinary sanction; and (4) the time elapsed since the date of the disciplinary event. If you conclude that the materiality presumption has been overcome, you must prepare and maintain a file memorandum of your determination in your records. See [SEC rule 204-2\(a\)\(14\)\(iii\)](#).

Not applicable

Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

Not applicable

B. If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.

Not applicable

C. Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships.

Except for the following, the listed relationships are not applicable.

2. Ralph Bradshaw serves as a director/trustee for the closed-end investment company clients of Cornerstone. As an interested director/trustee, there are certain board decisions, including, for example, advisory contract renewal, in which his participation is limited. He works with client counsel, client officers, and others under the respective compliance programs to prevent material conflicts of interest with clients.

Gary Bentz and Ralph Bradshaw serve as officers for the closed-end investment company clients of Cornerstone. Both work with client counsel, client officers, and others under the respective compliance programs to prevent material conflicts of interest with clients.

6. Gary Bentz is a C.P.A. which creates no material conflict of interest with clients, as he does not operate in his capacity as a C.P.A. with any clients of Cornerstone.

D. If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.

Not applicable

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

Form ADV Part 2A, Item 11

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to [SEC rule 204A-1](#) or similar state rules. Explain that you will provide a copy of your code of ethics to any client or prospective client upon request.

Cornerstone is subject to a strict set of legal and regulatory restrictions beyond our overarching duty to our clients. The policies and procedures in Cornerstone's Compliance Program, including its Code of Ethics ("Code"), are based on concepts of duty to clients, the Investment Advisors Act, and other securities laws and regulations.

The Code is divided into a number of sections that address specific areas of compliance concern. The Code establishes limits and reporting requirements on those covered by it concerning such areas as personal trading, reporting, and annual certification of personal holdings. It requires that a compliance officer conduct reviews of reports by individuals under the Code and report issues regarding the Code to each client's board. In addition, the Code provides guidelines to executives of Cornerstone concerning corporate governance and management.

This entire Compliance Program is intended to promote the highest standards of ethical and professional conduct, whether or not required by law or regulation. This Code is reviewed and approved by each client at least annually. Cornerstone will provide a copy of the Code to any client or prospective client upon request.

B. If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Examples: (1) You or a related person, as principal, buys securities from (or sells securities to) your clients; (2) you or a related person acts as general partner in a partnership in which you solicit client investments; or (3) you or a related person acts as an investment adviser to an investment company that you recommend to clients.

Not applicable

C. If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.

Cornerstone is engaged in offering investment management services to our clients. These clients deserve the best analysis and direction that we are capable of providing. Cornerstone recognizes that its principals, employees, consultants, or any person associated with Cornerstone are free to make investments for their own accounts so long as those investment do not represent a breach of fiduciary responsibilities to clients. Ownership by staff members of securities which are owned by clients is permitted primarily because we believe that it increases interest in these securities. With few, if any, exceptions, the securities recommended for purchase or sale trade in markets sufficiently broad that client transactions are not appreciably affected by transactions of Cornerstone's staff. However, because the possibility of conflict may exist, no officer or employee of Cornerstone may effect for himself or his immediate family (i.e. spouse, children and descendants, parents, step-children, or step-parents), any transaction in a security which, to his knowledge, has been, or is proposed to be, a subject of advice to any client if such transaction would conflict with or be detrimental to the interests of such client in any appreciable way. In establishing this policy, it is once again noted that ordinarily, the securities trade in markets with enough liquidity that transactions by those associated with Cornerstone are

unlikely to have any material impact on the market. Since individual decisions may be made by persons associated with Cornerstone, each party involved should maintain adequate records to document the fact that his decisions were made on a basis that did not conflict with this policy.

Since similar positions may be initiated and liquidated across more than one account, a potential conflict of interest exists concerning the sequence and timing of order execution. In such cases, certain clients may temporarily benefit over others depending on whether later executions occur at more or less favorable prices.

D. If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.

Note: The description required by Item 11.A may include information responsive to Item 11.B, C or D. If so, it is not necessary to make repeated disclosures of the same information. You do not have to provide disclosure in response to Item 11.B, 11.C, or 11.D with respect to securities that are not "reportable securities" under [SEC rule 204A-1\(e\)\(10\)](#) and similar state rules.

(See 11.C. above)

Brokerage Practices

Form ADV Part 2A, Item 12

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

There are a wide range of brokerage services available to effect the trading programs for each client's portfolio. Cornerstone considers service needs, services used, and services available in order to evaluate whether or not changes should be made to current practices. Many factors are considered, among which are cost, efficiency of execution, support services offered, and relationship requirements. Although the evaluation is largely subjective, Cornerstone seeks brokerage services which provide the best overall qualitative execution of portfolio trades for each client.

1. Research and Other Soft Dollar Benefits. If you receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), disclose your practices and discuss the conflicts of interest they create.

Note: Your disclosure and discussion must include all soft dollar benefits you receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

Trade credits generated as soft dollar benefits for a client account are only used to pay custody, administration, or transfer agent fees for that client which would otherwise be paid from client assets. Cornerstone receives no soft dollar benefits.

a. Explain that when you use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.

Not applicable

b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your clients' interest in receiving most favorable execution.

Not applicable

c. If you may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.

Not applicable

d. Disclose whether you use soft dollar benefits to service all of your clients' accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Soft dollar benefits are used to service only those clients who specifically paid for the benefits.

e. Describe the types of products and services you or any of your related persons acquired with client brokerage commissions (or markups or markdowns) within your last fiscal year.

Note: This description must be specific enough for your clients to understand the types of products or services that you are acquiring and to permit them to evaluate possible conflicts of interest. Your description must be more detailed for products or services that do not qualify for the safe harbor in [section 28\(e\) of the Securities Exchange Act of 1934](#), such as those services that do not aid in investment decision-making or trade execution. Merely disclosing that you obtain various research reports and products is not specific enough.

Trade credits generated as soft dollar benefits for a client account are only used to pay custody, administration, or transfer agent fees for that client which would otherwise be paid from client assets.

f. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits you received.

No soft dollar benefits were generated during the last fiscal year.

2. **Brokerage for Client Referrals.** If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.

a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving client referrals, rather than on your clients' interest in receiving most favorable execution.

Cornerstone does not consider receipt of client referrals from a broker-dealer or third party in selecting or recommending broker-dealers.

b. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for client referrals.

Not applicable

3. **Directed Brokerage.**

a. If you routinely recommend, request or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their clients to direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of client transactions, and that this practice may cost clients more money.

Not applicable

b. If you permit a client to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of client transactions. Explain that directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

Note: If your clients only have directed brokerage arrangements subject to most favorable execution of client transactions, you do not need to respond to the last sentence of Item [12.A.3.a.](#) or to the second or third sentences of Item [12.A.3.b.](#)

Not applicable

B. Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.

Trade orders will generally be placed for individual clients. From time to time, it is possible that brokerage transactions might be bunched if Cornerstone, in its sole discretion, determines that the individual clients would benefit by better cost or execution. In cases of bunched trades, securities will be allocated according to Cornerstone's policy for the aggregation and allocation of trades that is presented to and approved by the client.

Review of Accounts

Form ADV Part 2A, Item 13

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.

In addition to quarterly presentations to the board of each client, Gary A. Bentz and Ralph W. Bradshaw, monitor various components of client accounts periodically.

B. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.

In addition to quarterly presentations to the board of each client, Gary A. Bentz and Ralph W. Bradshaw, monitor various components of client accounts periodically.

C. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.

At least quarterly, Cornerstone reports to each client's board in writing. This report includes the portfolio position and performance and may also include other information such as current strategy, major purchases or sales, or significant market and economic news.

Client Referrals and Other Compensation

Form ADV Part 2A, Item 14

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.

Not applicable

B. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.

Note: If you compensate any person for client referrals, you should consider whether [SEC rule 206\(4\)-3](#) or similar state rules regarding solicitation arrangements and/or state rules requiring registration of investment adviser representatives apply.

Not applicable

Custody

Form ADV Part 2A, Item 15

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.

Not applicable

Investment Discretion

Form ADV Part 2A, Item 16

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).

Cornerstone has complete discretion to determine securities or amounts that should be bought or sold. Ordinarily, no limitations are imposed on Cornerstone's investment authority beyond those limits that might be specified within an individual client's contract for advisory services or by their disclosure documents.

Voting Client Securities

Form ADV Part 2A, Item 17

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to [SEC rule 206\(4\)-6](#). Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.

Under voting authority delegated by the individual client, Cornerstone, at its own expense, utilizes a proxy voting service that is acceptable to the client. At least annually, Cornerstone's voting policies and procedures are presented to the clients for their approval. After approval by each individual client, the proxies are voted according to the established policies and procedures. Voting records for individual client's securities are filed on Form N-PX with the SEC and available on request.

B. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.

Not applicable

Financial Information

Form ADV Part 2A, Item 18

THIS SECTION IS REQUIRED. YOU MAY NOT OMIT THIS HEADING. You must answer each item. If an item is not applicable, you must state that it is not applicable.

A. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.

1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.

Not applicable

2. Show parenthetically the market or fair value of securities included at cost.

Not applicable

3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to [Article 2 of SEC Regulation S-X](#).

Note: If you are a sole proprietor, show investment advisory business assets and liabilities separate from other business and personal assets and liabilities. You may aggregate other business and personal assets unless advisory business liabilities exceed advisory business assets.

Note: If you have not completed your first fiscal year, include a balance sheet dated not more than 90 days prior to the date of your brochure.

Exception: You are not required to respond to Item 18.A of Part 2A if you also are: (i) a qualified custodian as defined in [SEC rule 206\(4\)-2](#) or similar state rules; or (ii) an insurance company.

Not applicable

B. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.

Note: With respect to [Items 18.A](#) and [18.B](#), if you are registered or are registering with one or more of the state securities authorities, the dollar amount reporting threshold for including the required balance sheet and for making the required financial condition disclosures is more than \$500 in fees per client, six months or more in advance.

Not applicable

C. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.

Not applicable