

Cornerstone Advisors, LLC

Client Brochure

This brochure provides information about the qualifications and business practices of Cornerstone Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (785) 273-2685 or (800) 235-9063 or by email at: dford@cstonegroup.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Cornerstone Advisors, LLC is also available on the SEC's website at www.adviserinfo.sec.gov. Cornerstone Advisors, LLC's CRD number is: 114510

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Registration as an Investment Advisor does not imply a certain level of skill or training.

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Item 2: Material Changes

This Brochure Item 2 will be used to provide our clients with a summary of new and/or updated information since the date of our last filing. We will inform you of the revision(s) based on the nature of the updated information.

Changes on Page 7 under *Selection of Other Advisor Fees*

Third Party Money Manager (TPMM) split fees have been updated according to changes made by the managers in 2017. The clients this affected were notified directly by the Advisor prior to the change(s) being made.

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Item 4: Advisory Business

A. Description of the Advisory Firm

Cornerstone Advisors, LLC, hereinafter referred to as Cornerstone Advisors, provides continuous asset management and comprehensive financial planning services to individuals, families, and businesses. While the founder, Donald G. Schwart, has provided professional investment advice since 1966, Cornerstone Advisors was established in 2000 as a “fee-only” advisor. Cornerstone Advisors began actively managing accounts on a fee basis in late 2002 believing that this was a better business model in serving our clients. We primarily invest using mutual funds and ETFs but also have added non-traded REITs and third-party money managers to some client accounts. We are not paid commissions, overrides, or any 12b1 fees on managed accounts; however, from time to time based on the needs of a particular client, we may recommend a commissionable product (see Item 10.A.). We believe that acting as a fiduciary, putting the client’s needs first, is the key to both better investment performance and long-term prosperous relationships.

B. Types of Advisory Services

Cornerstone Advisors offer the following services to advisory clients:

Investment Supervisory Services

Cornerstone Advisors provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client’s particular circumstances are established, we develop a client’s personal investment strategy and create and manage a portfolio based on that strategy. During our data-gathering process, we determine the client’s individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client’s prior investment history, as well as family composition and background.

Cornerstone Advisors manages these advisory accounts on either a discretionary or non-discretionary basis. Account supervision is guided by the client’s stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in particular funds, types of funds, or industry sectors. Such restrictions will be noted in Schedule A of the Investment Management Agreement.

Our investment recommendations are not limited to any specific product or services offered by a broker-dealer or insurance company and will generally include but are not limited to advice regarding the following:

- Mutual fund shares
- Certificates of deposit
- Variable life insurance
- Variable annuities
- Equities
- U.S. government securities
- Non-traded REITS
- Option contracts on broad market indexes

Because some types of investments involve certain additional degrees of risk, they will only be recommended/implemented when consistent with the client's stated investment objectives, risk tolerance, liquidity, and suitability.

Selection of Other Cornerstone Advisors

Cornerstone Advisors may possibly direct clients to third-party money managers. Cornerstone Advisors is currently using three third-party money managers: Flexible Plan Investments, Ltd; Envestnet, Inc.; and Cambridge Investment Research. Other third-party managers may be added in the future. Cornerstone Advisors will be compensated in these arrangements via a fee share from the Cornerstone Advisors to which it directs those clients. Those fee sharing figures can be found on page 7 under *Selection of Other Cornerstone Advisors Fees* and in the account opening paperwork.

Financial Planning

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. **For most clients, our asset management fee includes the cost of financial planning.** If more complex planning is needed, we will discuss the cost of the additional service and any fee associated with that in advance. If the client wants us to do a financial plan without engaging us to manage their assets, we will charge an hourly rate for that service. Before moving forward, we will give the client an estimate of the cost based upon the expected amount of work that we expect will be needed.

Services Limited to Specific Types of Investments

Cornerstone Advisors limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, government securities, real estate, REITs, and insurance products including annuities. Cornerstone Advisors may use other securities as well to help diversify a portfolio when applicable.

C. Client Tailored Services and Client Imposed Restrictions

Cornerstone Advisors offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon each client's current situation (income, tax levels, and risk tolerance levels) and are used to construct a client-specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent Cornerstone Advisors from properly servicing the client account, or if the restrictions would require Cornerstone Advisors to deviate from its standard suite of services, Cornerstone Advisors reserves the right to end the relationship.

D. Wrap Fee Programs

Cornerstone Advisors participates in wrap fee programs only by introducing clients to such programs hosted by other advisors. Cornerstone Advisors does not sponsor any wrap fee programs.

E. Amounts Under Management

Cornerstone Advisors has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$115,014,870	\$43,106,380	2/28/2018

In the past, Cornerstone Advisors standard practice was to manage advisory accounts on a non-discretionary basis, meaning that we would discuss with a client, either orally or in writing, any change to be made in an account prior to making that change. In order to more quickly respond to today's volatile market, Cornerstone Advisors now offers clients the choice of a discretionary account which will allow Cornerstone Advisors to quickly make changes, consistent with the account's investment objectives, without specifically obtaining prior approval for each trade.

Item 5: Fees and Compensation

A. Fee Schedule

Asset Management Services Fees

Total Assets Under Management	Annual Fee
\$0 - \$99,999	1.25%
\$100,000 - \$1,499,999	1.00%
\$1,500,000 - \$2,999,999	0.75%
\$3,000,000 and Above	0.50%

These fees are negotiable and the final fee schedule is provided to each client in their Investment Management Agreement. Fees are paid quarterly in arrears, and clients may terminate the Agreement with written notice. Because fees are charged in arrears, no refund is necessary. Clients may terminate the Agreement with us without penalty at any time and fees will be prorated to the date the termination notice is received. Advisory fees are withdrawn directly from the client's accounts with client written authorization in the Investment Management Agreement unless other arrangements have been made.

Selection of Other Cornerstone Advisors Fees

Cornerstone Advisors may direct clients to Third-Party Money Managers (TPMMs). We are currently using Flexible Plan Investments, Ltd (FPI); Envestnet, Inc. (EI); and Cambridge Investment Research (CIR) through their CAAP program. Cornerstone Advisors has a solicitor only agreement with each TPMM and does not act as a co-advisor. Cornerstone Advisors will be compensated via a fee share from the TPMM to which it directs those clients. This fee share will be disclosed in the contract between the client and the third-party manager at the time the account is opened. The fees shared will not exceed any limit imposed by any regulatory agency. The fee schedule is as follows:

AUM	This RIA's Split	Third Party's Split
FPI: First \$1,000,000	0.45%	.85%
EI:	1.00%	.37%
CIR: First \$1,000,000	1.00%	Tiered: .50% - 0.25%

Fees received by Cornerstone Advisors is deducted quarterly in arrears; fees received by the Third-Party Money Managers is deducted as set forth in the contract used to open the account, which may be in advance. Clients may terminate their contracts upon notice to the Advisor.

Financial Planning Fees

As indicated in *Financial Planning (4B)* above, normally financial planning costs are included within the asset management fees. In those cases where a client may only want a detailed financial plan, depending upon the complexity of the situation and the needs of the client, either an hourly fee or a flat fee will be charged. The hourly fee for these services is between \$100 and \$200 and a good faith estimate of the total cost will be provided. Fees are negotiable and the final fee schedule and method of payment will be attached to the Financial Planning Agreement. Fees are paid in arrears upon Client's receipt of the written recommendations. Because fees are charged in arrears, no refund is necessary. Clients may terminate their contracts without penalty or fee within five business days of signing the Financial Planning Agreement.

B. Payment of Fees

Payment of Asset Management Fees

Asset management fees are withdrawn directly from the client's accounts with client's written authorization in the Investment Management Agreement. Fees are paid quarterly in arrears.

Upon prior arrangement, asset management fees may instead be invoiced and billed directly to the client with payment due upon receipt of the bill. Clients may select the method in which they are billed.

Payment of Selection of Other Cornerstone Advisors Fees

Other Cornerstone Advisors fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid as set forth in the account opening contract, which may be in advance.

Payment of Financial Planning Fees

Hourly or flat fees for Financial Plans are paid via check in arrears as set forth in the Financial Planning Agreement. Because fees are charged in arrears, no refund is necessary.

C. Clients Are Responsible For Third Party Fees

Clients are responsible for the payment of all third-party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the management fees charged by Cornerstone Advisors. Please see Item 12 of this brochure regarding broker/custodian.

D. Prepayment of Fees

Cornerstone Advisors collects its fees in arrears. It does not collect fees in advance.

E. Outside Compensation for the Sale of Securities to Clients

All Advisor Representatives of Cornerstone Advisors are also registered representatives of Cambridge Investment Research, Inc. a Broker-Dealer, and could accept compensation for products that they sell as a registered representative of the Broker-Dealer, independent of their asset management business under Cornerstone Advisors. This represents a conflict of interest. Therefore, Cornerstone Advisors does not allow taking a commission on a product that is also included under the asset management arrangement.

Clients always have the option to purchase Cornerstone Advisors recommended products through other brokers or agents that are not affiliated with Cornerstone Advisors.

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

Cornerstone Advisors does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7: Types of Clients

Cornerstone Advisors generally provides investment advice and/or management supervisory services to the following types of clients:

- Individuals and Families
- Charitable organizations
- High-Net-Worth Individuals and Families
- Corporations or Business Entities

Cornerstone Advisors imposes a minimum investment amount of \$25,000 because of its oversight by our Broker/Dealer Cambridge Investment Research. Cornerstone Advisors waives the minimum investment amount for retirement accounts, and may accept accounts

with less than \$25,000 in assets based on information provided by the client to the Advisor Representative that investing a lower amount is appropriate for the client and is acceptable to the program sponsor.

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

A. Methods of Analysis and Investment Strategies

Methods of Analysis

Cornerstone Advisors method of security and market analysis may include fundamental analysis as well as a review of general market and financial conditions. Our research sources include commercial research services, financial newspapers and periodicals, and research provided by mutual fund companies.

Based on each client's current financial situation, investment objectives, risk tolerance and time horizon, Cornerstone Advisors will develop an appropriate asset allocation.

Portfolios are diversified among different asset classes. We design long-term portfolios that incorporate the principles of Modern Portfolio Theory. Our investment approach is rooted in the belief that markets are relatively efficient and that investor returns are determined principally by asset allocation decisions. We build our model portfolios utilizing primarily no-load mutual funds and exchange traded funds. A client's tolerance for risk and their long term goals will determine the allocation of their investments among stocks, bonds, alternatives, and cash. By offering to meet with our clients on a regular basis, we stay informed about changes in lifestyles or other events that may cause their goals to change over time.

We take a long-term approach and generally avoid frequent trading. We will generally hold investments for at least one year, though circumstances (e.g. tax considerations, cash needs, market volatility, etc.) may sometimes dictate that an investment be sold within one year. We do not typically buy investments on margin but generally establish non-qualified accounts with margin to allow greater flexibility in obtaining cash and allowing time to determine which position within the account to liquidate for cash needs.

Our methods of analysis and investment strategies do not present any significant or unusual risks. However, investing in securities involves risk of loss that clients should be prepared to bear.

Investment Strategies

Cornerstone Advisors uses long-term trading for most accounts but occasionally uses short-term trading strategies primarily for tax planning purposes.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

B. Material Risks Involved

Investment Strategies

Long-term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short-term trading holds greater risk and clients should be aware that there is a material risk of loss using any of the strategies.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

C. Risks of Specific Securities Utilized

Cornerstone Advisors generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

Item 9: Disciplinary Information

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

Item 10: Other Financial Industry Activities and Affiliations

A. Registration as a Broker-Dealer or Broker-Dealer Representative

All representatives of Cornerstone Advisors are also registered representatives of Cambridge Investment Research, Inc. a Broker/Dealer. From time to time, the

representative may offer clients products from those activities. Clients should be aware that those products pay a commission and involve a conflict of interest, as commissionable products can conflict with the fiduciary duties of an investment adviser representative. Cornerstone Advisors always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Therefore, Cornerstone Advisors does not allow a representative to receive both a commission and a management fee on a product which is included under the asset management arrangement. Clients are in no way required to purchase any commission product through any representative of Cornerstone Advisors in their capacity as a registered representative.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither Cornerstone Advisors nor its representatives are registered as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests

All representatives of Cornerstone Advisors are also licensed independent insurance agents. From time to time, they may offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of an investment advisor representative. Cornerstone Advisors always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Therefore, Cornerstone Advisors does not allow a representative to receive a commission on a product which is also included under the asset management arrangement. Clients are in no way required to purchase an insurance product through any representative of Cornerstone Advisors in their capacity as an insurance agent.

One of Cornerstone Advisors' Representatives, Donald G. Schwart, has entered into an Equity Participation Plan ("EPP") with Cambridge. The EPP Program is a stock appreciation rights program. Once a participant's EPP's units are vested and the years of service requirement is met, the participant has a right to the appreciation in value of the same number of shares of Cambridge Investment Group Stock as he/she holds in vested EPP's Units. The Cornerstone Advisors Representative is not an owner or officer of Cambridge. However, the Cornerstone Advisors Representative is eligible to participate in the EPP due to his affiliation as a Registered Representative of Cambridge. This arrangement between this particular Cornerstone Advisors' Representative and Cambridge is a potential conflict of interest between Cornerstone Advisors and its clients in that it may inhibit Cornerstone Advisors independent judgment concerning the best execution services offered by Cornerstone Advisors and its clearing broker-dealers. However, the compensation derived from this EPP Program amounts to only .3 of 1 percent of his annual revenue.

D. Selection of Other Cornerstone Advisors or Managers and How This Advisor is Compensated for Those Selections

Cornerstone Advisors may direct clients to third-party money managers. Cornerstone Advisors will be compensated via a fee share from the Advisors to which it directs those clients. This fee share will be disclosed in each contract between the client and the third-party manager. The fees shared will not exceed any limit imposed by any regulatory agency. Cornerstone Advisors will always act in the best interests of the client, including determining if/when to recommend a third-party manager to clients.

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

A. Code of Ethics

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

B. Recommendations Involving Material Financial Interests

Cornerstone Advisors does not recommend that clients buy or sell any security in which a related person to Cornerstone Advisors has a material financial interest.

C. Investing Personal Money in the Same Securities as Clients

From time to time, representatives of Cornerstone Advisors may buy or sell securities for themselves that they also recommend to clients. Cornerstone Advisors will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

The Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of Cornerstone Advisors representatives will not interfere with (1) making decisions in the best interest of advisory clients, and (2) implementing such decisions while, at the same time, allowing representatives to invest for their own accounts.

D. Trading Securities At/Around the Same Time as Clients' Securities

From time to time, representatives of Cornerstone Advisors may buy or sell securities for themselves at or around the same time as clients. Cornerstone Advisors Representatives will not trade securities on the same day in the same security for clients at a better price.

Item 12: Brokerage Practices

A. Factors Used to Select Custodians and/or Broker-Dealers

The two recommended Custodians (TD Ameritrade Institutional Services and National Financial Services) were chosen based on their financial strength, reputation, execution capabilities, relatively low transaction fees, and access to mutual funds and ETFs. Cornerstone Advisors does not allow clients to choose other Custodians. Cornerstone Advisors will never charge a premium or commission on transactions, beyond the actual cost imposed by the Custodian.

1. *Research and Other Soft-Dollar Benefits*

Cornerstone Advisors receives online software from both Custodians which is provided free of charge to help better monitor and service all client accounts at the Custodian. This represents a conflict of interest. Our fiduciary duty to our clients is to always act in their best interest. The use of the software is used to benefit all of our clients and is not a basis for choosing which Custodian to use.

2. *Brokerage for Client Referrals*

Cornerstone Advisors receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

3. *Clients Directing Which Custodian/Broker-Dealer to Use*

Cornerstone Advisors recommends clients use one of the two Custodians based on the above-mentioned criteria. Cornerstone Advisors believes it to be in the client's best interest to do so taking into account all related costs, best execution, availability of trade data, etc.

B. Aggregating (Block) Trading for Multiple Client Accounts

Cornerstone Advisors maintains the ability to block trade purchases across accounts but does not do so at this time.

Item 13: Reviews of Accounts

A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews

Client accounts are reviewed periodically by the Chief Compliance Officer with regards to their investment policies and risk tolerance levels.

All clients are advised that it remains their responsibility to advise Cornerstone Advisors of any changes in their investment objectives and/or financial situation. All clients are encouraged to comprehensively review investment objectives and account performance with Cornerstone Advisors on an annual basis.

All financial planning accounts are reviewed upon financial plan creation. There is only one level of review and that is the total review conducted to create the financial plan.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may be triggered by material market, economic, or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, significant investments or withdrawals, or inheritance).

C. Content and Frequency of Regular Reports Provided to Clients

Clients are provided with transaction confirmation notices and regular monthly account statements directly from the Custodian for their account(s). Those clients to whom Cornerstone Advisors provides investment advisory services shall also receive a periodic report from Cornerstone Advisors summarizing account holdings, investment performance, and general market commentary.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)

Cornerstone Advisors does not receive any economic benefit, directly or indirectly, from any third party for advice rendered to Cornerstone Advisors clients.

Cornerstone Advisors Representatives may receive paid travel to meet with sponsors of investment products. Since this is a conflict of interest, clients who have received a recommendation to purchase the product will be required to sign a disclosure document apprising them of this conflict of interest prior to purchasing the product.

B. Compensation to Non -Advisory Personnel for Client Referrals

Cornerstone Advisors does not directly or indirectly compensate any person for client referrals.

C. Other Compensation

Donald G. Schwart entered into an Equity Participation Plan ("EPP") with Cambridge Investment Research in 2006. The EPP Program is a stock appreciation rights program for Branch Managers and Representatives. Once a participant's EPP units are vested and the years of service requirement is met, the participant has a right to the appreciation in value of the same number of shares of Cambridge Investment Group Stock as he holds in vested EPP's Units. Cornerstone Advisors Representatives are not owners or officers of Cambridge. However, Cornerstone Advisor Representatives are eligible to participate in the EPP due to their affiliation as Registered Representatives of Cambridge. This arrangement between Don Schwart and Cambridge is a potential conflict of interest in that it may inhibit Don Schwart's independent judgment concerning the best execution services offered by Cambridge and its clearing broker-dealers. Don Schwart is the only Cornerstone Advisors Representative that this affects. The amount of his participation and the minute income he receives is outlined in his Part 2B.

Item 15: Custody

Cornerstone Advisors is deemed by the SEC to have custody of client accounts due to our ability to notify the Custodian to remove fees directly from a Client's account. The custody of client's assets is held by a qualified Custodian.

Item 16: Investment Discretion

For those clients' accounts with discretion where Cornerstone Advisors provides ongoing supervision, the client has given Cornerstone Advisors written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client in the Investment Management Agreement and before any advisory relationship has commenced. The client provides Cornerstone Advisors discretionary authority via a limited power of attorney in the Investment Management Agreement and in the contract between the client and the Custodian.

Item 17: Voting Client Securities (Proxy Voting)

Cornerstone Advisors will not ask for, nor accept, voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the Custodian. Clients should direct all proxy questions to the issuer of the security.

Item 18: Financial Information

A. Balance Sheet

Cornerstone Advisors does not require nor solicit prepayment in any amount in fees per client and, therefore, does not need to include a balance sheet with this brochure.

B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

Neither Cornerstone Advisors nor its management have any financial conditions that are likely to reasonably impair the ability to meet contractual commitments to clients.

C. Bankruptcy Petitions in Previous Ten Years

Cornerstone Advisors has never been the subject of a bankruptcy petition.