

ITEM 1 – COVER PAGE

CORNERSTONE ADVISORS, LLC

Part 2A of Form ADV: Firm Brochure

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This brochure provides information about the qualifications and business practices of Cornerstone Advisors, LLC (“Cornerstone Advisors”). If you have any questions about the contents of this brochure, please contact us at 785-273-2685 or 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. Cornerstone Advisors is a Registered Investment Advisor. Registration as an Investment Advisor with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about Cornerstone Advisors is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying, known as an IARD number. The IARD number for Cornerstone Advisors is 114510.

ITEM 2 – MATERIAL CHANGES

This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) www.adviserinfo.sec.gov.

The following material changes have been made since our last annual filing on February 23, 2018.

We have rewritten our Brochure to make it more readable and to clarify how we do business.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Danyse Ford at 785-273-2685 or dford@cstonegroup.com.

We encourage you to read this document in its entirety.

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ITEM 4 – ADVISORY BUSINESS

This Disclosure document is being offered to you by Cornerstone Advisors, LLC (“Cornerstone Advisors” or “Firm”) about the investment advisory services we provide. It discloses information about our services and the way those services are made available to you, the client.

We are an SEC registered investment management firm located in Topeka, Kansas. We specialize in investment advisory services for individuals, high net worth individuals, institutions, charitable organizations, trusts and estates. While the founder, Donald G. Schwart, has provided professional investment advice since 1966, Cornerstone Advisors was established in 2000 as a registered investment advisor. Cornerstone Advisors began actively managing accounts on a fee basis in late 2002.

We are committed to helping clients build, manage, and preserve their wealth, and to provide assistance that helps clients to achieve their stated financial goals. We will offer an initial complimentary meeting upon our discretion; however, investment advisory services are initiated only after you and Cornerstone Advisors execute an Investment Management Agreement.

Investment Management Services

We manage advisory accounts on a discretionary or non-discretionary basis. Once we have determined a profile and investment plan with a client, we will execute the day-to-day transactions without seeking prior client consent. For those clients who have given us discretionary authority, besides day-to-day transactions, we will also execute trades without seeking prior client consent. Account supervision is guided by the profile and investment plan of the client. We may accept accounts with certain restrictions if circumstances warrant. We primarily allocate client assets among various mutual funds and Exchanged Traded Funds (“ETFs”) in accordance with their stated investment objectives. As appropriate, we may recommend non-traded REITS or other alternative investments for some qualified clients. We may also accommodate client requests for purchase of specific equities.

During personal discussions with clients, we determine the client’s objectives, time horizons, risk tolerance and liquidity needs. As appropriate, we also review a client’s prior investment history, as well as family composition and background. Based on client needs, we develop a client’s personal profile and investment plan. We then create and manage the client’s investments based on that policy and plan. It is the client’s obligation to notify us immediately if circumstances have changed with respect to their goals.

Once we have determined the appropriate strategy for you and your family and executed the strategy, we will provide ongoing investment review and management services. This approach requires us to periodically review your portfolio.

With our discretionary relationships, we will make changes to the portfolio, as we deem appropriate, to meet your financial objectives. We trade these portfolios based on the combination of our market views and your objectives. We tailor our advisory services to meet the needs of our clients and seek to ensure that your portfolio is managed in a manner consistent with those needs and objectives. You will have the ability to leave standing instructions with us to refrain from investing in particular industries or invest in limited amounts of particular securities.

Where appropriate, we provide advice about concentrated stock positions held in client portfolios. Clients can engage us to advise them on certain investment products that are not maintained at their primary Custodian, such as annuity contracts and assets held in employer-sponsored retirement plans and qualified tuition plans (i.e., 529 plans).

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that adversely affect an account's performance. This could result in capital losses in your account.

Financial Planning

We work with all clients to understand their financial objectives. For most clients, our asset management fee includes the cost of financial planning. If more complex planning is needed, Cornerstone Advisors may charge separate fees for the preparation of a formal financial plan. Through the financial planning process, our team strives to engage our clients in conversations around the family's goals, objectives, priorities, vision, and legacy – both for the near term as well as for future generations. With the unique goals and circumstances of each family in mind, we may offer financial planning ideas and strategies to address the client's holistic financial picture, including estate, income tax, charitable, cash flow, wealth transfer and family legacy objectives. We partner with our clients' other advisors (CPA, estate attorney, insurance broker, etc.) to ensure a coordinated effort of all parties toward the client's stated goals. Such services include various reports on specific goals and objectives or general investment and/or planning recommendations, guidance to outside assets and periodic updates.

Our specific services in preparing your formal financial plan may include:

- Review and clarification of your financial goals;
- Assessment of your overall financial position including cash flow, balance sheet, investment strategy, risk management and estate planning;

- Creation of a unique plan for each goal you have, including personal and business real estate, education, retirement or financial independence, charitable giving, estate planning, business succession and other personal goals;
- Development of a goal-oriented investment plan, with input from various advisors to our clients around tax suggestions, asset allocation, asset location, expenses, risk and liquidity factors for each goal. This includes IRA and qualified plans, taxable and trust accounts that require special attention;

The recommendations for the financial plan will not be reviewed nor updated, unless requested by the client at which point a new Financial Planning Agreement between Client and Advisor may be executed.

Referrals to Third Party Money Managers

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

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

Consulting Services

We also provide clients investment advice on a more limited basis on one-or-more isolated areas of concern such as small business consulting, real estate, pension plan consulting, or any other specific topic. Additionally, we provide advice on non-securities matters about the rendering of estate planning, insurance, real estate, and/or annuity advice.

In these cases, we may supply recommendations but you will be required to select your own investment managers, custodian and/or insurance companies for the implementation of consulting recommendations. If your needs include brokerage and/or other financial services, we will recommend the use of one of several investment managers, brokers,

banks, custodians, insurance companies or other financial professionals. You must independently evaluate these firms before opening an account or transacting business, and you have the right to effect business through any firm you choose. Also note, you have the right to choose whether to follow the consulting advice that we provide.

Wrap Fee Program

We do not sponsor a Wrap Fee Program. Cornerstone Advisors participates in wrap fee programs only by introducing clients to such programs hosted by other advisors.

Assets

As of February 28, 2018, Cornerstone Advisors has \$115,014,870 in discretionary assets and \$43,106,380 in non-discretionary assets.

ITEM 5 - FEES AND COMPENSATION

Investment Management Fees and Compensation

Our Firm charges a fee as compensation for providing Investment Management services on your account. These services include advisory services, trade execution, investment supervision, and other account-maintenance activities. Our Custodians may charge transaction costs, custodial fees, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below for additional details.

The fees for Investment Management are based on an annual percentage of assets under management and are applied to the household asset value on a pro-rata basis and billed quarterly in arrears. The initial fee will be based upon the market value of the portfolio on the last business day of the partial quarter, prorated for the number of days in the quarter that your account is under management. Thereafter, the quarterly fee will be calculated on the last day of the calendar quarter. The value will be determined as reported by the Custodian. Fees are assessed on all assets under management, including securities, cash and money market balances. Margin account balances are not included in the fee billing.

Our maximum investment advisory fees as a percentage of assets under management is 1.25%. The specific advisory fees are set forth in your Investment Advisory Agreement.

We may negotiate a lower advisory fee or have the right to waive the account minimum fee. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client.

Unless otherwise instructed by the Client, we will aggregate related client accounts for the purposes of determining the account size and annualized fee. The common practice is often referred to as "householding" portfolios for fee purposes and may result in lower fees than if fees were calculated on portfolios separately. Our method of householding

accounts for fee purposes looks at the overall family dynamic and relationship. When applicable and noted in the Investment Management Agreement, concentrated stock positions may also be excluded from the fee calculation.

The independent qualified Custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us. You will provide written authorization permitting the fees to be paid directly from your account held by the qualified Custodian. The qualified Custodian agrees to deliver an account statement to you on at least a quarterly basis indicating all the amounts deducted from the account including our advisory fees. You may pay the advisory fees directly to our Firm by check. If you choose this method of payment, it will be noted in the Investment Management Agreement and fees are to be paid within 30 days of Client's receipt of an invoice from Advisor.

Either Cornerstone Advisors or you may terminate the Investment Advisory Agreement immediately upon written notice to the other party. The management fee will be pro-rated to the date of termination for the quarter in which the cancellation notice was given and the earned fee charged to your account as indicated in your Agreement. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets. In the event of client's death or disability, our Firm will continue management of the account until we are notified of client's death or disability and given alternative instructions by an authorized party.

Financial Planning Fees

We will negotiate the planning fees with you. Fees may vary based on the extent and complexity of your individual or family circumstances and the amount of your assets under our management. Our fee will be agreed upon in advance of services being performed. The fee will be determined based on factors including the complexity of your financial situation and agreed upon deliverables. Hourly fees for financial plans range from \$150 to \$300. 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 disclosed in 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.

Typically, we complete a plan within a month and will present it to you within 90 days of the contract date, if you have provided us all information needed to prepare the financial plan. Fees are billed and payable at the time the financial plan is delivered to you.

Third Party Money Manager ("TPMM") Fees

Fees and billing methods are outlined in each respective TPMM's Brochure and Advisory Contract. The Client pays an on-going fee directly to the TPMM based upon a percentage of your assets under management with respect to each TPMM. You will receive disclosure of all fees by the TPMM, which include the terms of the compensation arrangement and a description of the compensation paid, at the time of signing an advisory agreement with the TPMM.

The minimum account size will vary from TPMM to TPMM. All such minimums will be disclosed in the respective TPMM's Brochure. We may have the ability to negotiate such minimums for you.

You may terminate your relationship in accordance with the respective TPMMs' disclosure documents. We may recommend you terminate the relationship with a TPMM. Factors involved in the termination of a TPMM may include a failure to adhere to their stated management style or your objectives, a material change in the professional staff of the TPMM, unexplained poor performance, unexplained inconsistency of account performance, or our decision to no longer include the TPMM on our list of approved TPMMs.

Account custodial services may be provided by several account Custodians depending on the investment management program offered. Programs may have higher or lower fees than other programs available through Cornerstone Advisors or available elsewhere. Investment management programs may differ in the services provided and method or type of management offered, and each may have different account minimums. Client reports will depend upon the management program selected. Please see complete details in the program Brochure and Custodial account agreement for each program recommended and offered.

Consulting Fees

We provide consulting services for clients who need advice on a limited scope of work. We will negotiate consulting fees with you. Hourly fees range from \$200 to \$500 for Consulting Services and may vary based on the extent and complexity of the consulting project. Fees will be billed as services are rendered. Either party may terminate the agreement. Upon termination, fees will be prorated to the date of termination and any unearned portion of the fee will be refunded to you as described in the Agreement and our hourly rate described above.

Additional Fees and Expenses:

In addition to the advisory fees paid to our Firm, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges

include securities fees, transaction fees, custodial fees, fees charged by the Independent Third-Party Money Managers, internal charges imposed directly by a mutual fund or ETF in a client's account as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Our brokerage practices are described at length in Item 12 below. Our Firm **does not** share in any of these additional fees and expenses outlined above.

Administrative Services Provided by Morningstar Office

We have contracted with Morningstar to utilize its technology platforms to support data reconciliation, performance reporting, fee calculation and billing, client database maintenance, quarterly performance evaluations, payable reports, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Morningstar will have access to client information, but Morningstar will not serve as an investment advisor to our clients. Cornerstone Advisors and Morningstar are non-affiliated companies. Morningstar charges our Firm an annual fee for each account administered by Morningstar. Please note that our management fee charged to the client will not increase due to the fee Cornerstone Advisors pays to Morningstar. The Morningstar fee is paid from the portion of the management fee retained by our Firm.

ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance-based fees) nor engage in side by side management.

ITEM 7 - TYPES OF CLIENTS

We provide investment advice to individuals, high net worth individuals, businesses, charitable organizations, trusts and estates. Our minimum initial account value is \$25,000; however, we may accept accounts for less than the minimum at our sole discretion.

ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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.

Risk of Loss

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities involves risk of loss. Further, depending on the different types of investments there will be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

Investors should be aware that accounts are subject to the following risks:

Market Risk — Even a long-term investment approach cannot guarantee a profit. Economic, political and issuer-specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the risk that you will lose money and your investment may be worth more or less upon liquidation.

Foreign Securities and Currency Risk — Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.

Capitalization Risk — Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services, and their stocks have historically been more volatile than the stocks of larger, more established companies.

Interest Rate Risk — In a rising rate environment, the value of fixed-income securities generally declines and the value of equity securities may be adversely affected.

Credit Risk — Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and, thus, impact the fund's performance.

Securities Lending Risk — Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences for the fund.

Exchange-Traded Funds — ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the fund's shares trading at either a premium or a discount to its "net asset value."

Performance of Underlying Managers — We select the mutual funds and ETFs in our portfolios. However, we depend on the manager of such funds to select individual investments in accordance with their stated investment strategy.

Liquidity Risk — Liquidity risk exists when particular investments would be difficult to purchase or sell, possibly preventing clients from selling such securities at an advantageous time or price.

ITEM 9 - DISCIPLINARY INFORMATION

We do not have any legal, financial or other “disciplinary” item to report.

ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Other Business Activities

Insurance

Cornerstone Insurance, LLC, a separate entity from Cornerstone Advisors, is a licensed insurance agency with the State of Kansas and licensed in various other states. Investment Advisor Representatives (“IAR”) of Cornerstone Advisors may act as agents of Cornerstone Insurance appointed with various life, disability or other insurance companies, receive commissions, trails, or other compensation from the respective product sponsors and/or as a result of effecting insurance transactions for clients. However, clients should note that they are under no obligation to purchase any insurance products through Cornerstone Insurance or Cornerstone Advisors’ IAR.

Broker Dealer

Cornerstone Advisors is not a broker/dealer, but our Investment Advisor Representatives (“IAR”) are registered representatives of Cambridge Investment Research, Inc. (“Cambridge”), a full-service broker-dealer, member FINRA/SIPC, which compensates them for effecting securities transactions. When placing securities transactions through Cambridge in their capacity as registered representatives, they may earn sales commissions. Because the IARs are dually registered agents of Cambridge and Cornerstone Advisors, Cambridge has certain supervisory and administrative duties pursuant to the requirements of FINRA Conduct Rule 3040. Cambridge and Cornerstone Advisors are not affiliated companies. IARs of Cornerstone Advisors spend a portion of their time in connection with broker/dealer activities.

As a broker-dealer, Cambridge engages in a broad range of activities normally associated with securities brokerage firms. Pursuant to the investment advice given by Cornerstone Advisors or its IARs, investments in securities may be recommended for clients. If Cambridge is selected as the broker-dealer, Cambridge and its registered representatives, including IARs of Cornerstone Advisors, may receive commissions for executing securities transactions. However, in no instance will IARs of Cornerstone Advisors receive both a commission and a management fee on the same transaction.

You are advised that if Cambridge is selected as the broker-dealer, the transaction charges may be higher or lower than the charges you may pay if the transactions were executed at other broker/dealers. You should note, however, that you are under no obligation to purchase securities through IARs of Cornerstone Advisors or Cambridge.

Moreover, you should note that under the rules and regulations of FINRA, Cambridge has an obligation to maintain certain client records and perform other functions regarding certain aspects of the investment advisory activities of its registered representatives. These obligations require Cambridge to coordinate with and have the cooperation of its registered representatives that operate as, or are otherwise associated with, investment Advisors other than Cambridge. Accordingly, Cambridge may limit the use of certain custodial and brokerage arrangements available to clients of Cornerstone Advisors and Cambridge may collect, as paying agent of Cornerstone Advisors, the investment advisory fee remitted to Cornerstone Advisors by the account Custodian. Cambridge may retain a portion of the investment advisory fee you pay, as a charge for the functions it performs, and such portion may be further re-allowed to other registered representatives of Cambridge. The charge will not increase the advisory fee you have agreed to pay Cornerstone Advisors.

IARs of Cornerstone Advisors, in their capacity as registered representatives of Cambridge, or as agents appointed with various life, disability or other insurance companies, receive commissions, 12(b)-1 fees, fee trails, or other compensation from the respective product sponsors and/or as a result of effecting securities transactions for clients. However, clients should note that they have the right to decide whether or not to purchase any investment products through Cornerstone Advisors' representatives. Additionally, Cornerstone Advisors does not receive a commission and a fee.

IARs of our Firm do not 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.

**ITEM 11 - CODE OF ETHICS PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS
AND PERSONAL TRADING**

We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, the prohibition against the use of inside information. The Code of Ethics is designed to protect our clients to detect and deter misconduct, educate personnel regarding the firm's expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of Cornerstone Advisors, guard against violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether their personnel are complying with the firm's ethical principles.

Our Firm and persons associated with us are allowed to invest for their own accounts or to have a financial investment in the same securities or other investments that we recommend or acquire for your account and may engage in transactions that are the same as transactions made in your account. We recognize the fiduciary responsibility to act in your best interest and have established policies to mitigate conflicts of interest.

We have established the following restrictions in order to ensure our firm's fiduciary responsibilities:

1. A director, officer or employee of Cornerstone Advisors shall not buy or sell any securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No supervised employee of Cornerstone Advisors shall prefer his or her own interest to that of the advisory client. Trades for supervised employees are traded alongside client accounts.
2. We maintain a list of all securities holdings of anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of Cornerstone Advisors.
3. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's account.
4. We require that all supervised employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
5. Any supervised employee not in observance of the above may be subject to termination.

You may request a complete copy of our Code of Ethics by contacting us at the telephone number on the cover page of this Part 2; Attn: Chief Compliance Officer.

ITEM 12 - BROKERAGE PRACTICES

We participate in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers services to independent investment advisors that include custody of securities, trade execution, clearance and settlement of transactions.

There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These

benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by some of our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit us but may not benefit your account. These products or services may assist us in managing and administering your account, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by Cornerstone Advisors or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. You should be aware, however, that the receipt of economic benefits by Cornerstone Advisors or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

In the event you request us to recommend a broker/dealer Custodian for execution and/or custodial services, we generally recommend your account to be maintained at TD Ameritrade. We may recommend that you establish accounts with TD Ameritrade or National Financial Services, to maintain custody of your assets and to effect trades for your accounts. You are under no obligation to act upon any recommendations, and if you elect to act upon any recommendations, you are under no obligation to place the transactions through any broker/dealer we recommend. Our recommendation is generally based on the broker's cost and fees, skills, reputation, dependability and compatibility with the client. You may be able to obtain lower commissions and fees from other brokers and the value of products, research and services given to us is not a factor in determining the selection of broker/dealer or the reasonableness of their commissions.

Brokerage for Client Referrals

Our Firm does not receive client referrals from any Custodian or third party in exchange for using that broker-dealer or third party.

Trade Errors

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and the Firm will absorb any loss resulting from the trade error if the error was caused by the Firm. If the error is caused by the Custodian, the Custodian will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will be donated to charity. We will never benefit or profit from trade errors.

Directed Brokerage

We do not routinely recommend, request or require that you direct us to execute transaction through a specified broker dealer. Additionally, we typically do not permit you to direct brokerage. We place trades for your account subject to our duty to seek best execution and other fiduciary duties.

ITEM 13 - REVIEW OF ACCOUNTS

Account Reviews and Reviewers – Investment Supervisory Services

Our Investment Advisor Representatives will monitor client accounts on a regular basis and perform annual reviews with each client. Client accounts are also reviewed periodically by the Chief Compliance Officer. All accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax or financial status. Geopolitical and macroeconomic specific events may also trigger reviews.

Statements and Reports

The Custodian for the individual client's account will provide clients with an account statement at least quarterly. Reports may also be provided at every client meeting. Communication to clients will be done on an as needed basis with a minimum of one contact per calendar year. You are urged to compare the reports provided by Cornerstone Advisors against the account statements you receive directly from your account Custodian.

Those clients who are exclusively Consulting or Financial Planning clients (i.e. those who have no assets under management with us in our advisory program) will receive no regular reports from the Firm.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

We do not pay referral fees or receive compensation for referrals.

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** represents less than 0.3 of one percent of his annual revenue.

ITEM 15 – CUSTODY

Custody has been defined by regulators as having access or control over client funds and/or securities. Our firm does not have *physical custody*, as it applies to investment advisors.

Deduction of Advisory Fees

For all accounts, our firm has the authority to have fees deducted directly from client accounts. Our firm has established procedures to ensure all client funds and securities are held at a qualified Custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified Custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified Custodian to each client, or the client's independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from our Firm. When you have questions about your account statements, you should contact our Firm or the qualified Custodian preparing the statement. Please refer to Item 5 for more information about the deduction of Advisor fees.

Standing Letters of Authorization ("SLOA")

Our firm is deemed to have custody of clients' funds or securities when clients have standing authorizations with their Custodian to move money from a client's account to a third-party ("SLOA") and, under that SLOA, it authorizes us to designate the amount or timing of transfers with the Custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow. We do not have a beneficial

interest on any of the accounts we are deemed to have Custody where SLOAs are on file. In addition, account statements reflecting all activity on the account(s), are delivered directly from the qualified Custodian to each client or the client's independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from us. When you have questions about your account statements, you should contact us, your Advisor or the qualified Custodian preparing the statement.

ITEM 16 – INVESTMENT DISCRETION

For discretionary accounts, prior to engaging Cornerstone Advisors to provide investment advisory services, you will enter a written Agreement with us granting the Firm the authority to supervise and direct, on an on-going basis, investments in accordance with the client's investment objective and guidelines. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade any stocks, bonds or other securities or assets and (2) determine the amount of securities to be bought or sold and (3) place orders with the Custodian. Any limitations to such discretionary authority will be communicated to our Firm in writing by you, the client.

The limitations on investment and brokerage discretion held by Cornerstone Advisors for you are:

1. For discretionary accounts, we require that we be provided with authority to determine which securities and the amounts of securities to be bought or sold.
2. Any limitations on this discretionary authority shall be in writing as indicated on the Investment Advisory Agreement. You may change/amend these limitations as required.

ITEM 17 – VOTING YOUR SECURITIES

We will **not** vote proxies on your behalf. You are welcome to vote proxies or designate an independent third-party at your own discretion. You designate proxy voting authority in the custodial account documents. You must ensure that proxy materials are sent directly to you or your assigned third party. We do not take action with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies. Clients can contact our office with questions about a particular solicitation by phone at (785) 273-2685.

ITEM 18 – FINANCIAL INFORMATION

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely

to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.