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CornerStone Partners, LLC  
Part 2A of Form ADV  
The Brochure

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This brochure provides information about the qualifications and business practices of CornerStone Partners, LLC (“CP” or “the Company”). If you have any questions about the contents of this brochure, please contact us at 434-296-2300. 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 CP is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

CP's most recent update to Part 2 of Form ADV was made in August 2010. CP's business activities have not changed materially since the time of that update. However, in 2010 the SEC required significant changes to the content and format of Part 2 of Form ADV. This brochure, which reflects those changes, is materially different from brochures used by CP in prior years.

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## Advisory Business

The Company was founded in July 1997 and is owned by Peter Brooks, Donald Laing, and Kevin Schuyler and Chris Laing. As of December 31, 2010 the Company managed approximately \$4 billion on a non-discretionary basis on behalf of its clients.

CP provides advisory services to its clients, which include: foundations, endowments, trusts, and charitable organizations. CP ascertains the client's needs and risk tolerance and then seeks and recommends investment managers within each asset class that meet the client's individual requirements. When the appropriate portfolio has been approved by the client, the portfolio is monitored by CP. When necessary and appropriate, subsequent recommendations to clients' asset allocation or specific investment managers are made by CP in accordance with investment goals and objectives established jointly by CP and the client. Each client is provided the opportunity to place restrictions on the types of investments that may be made for its account(s).

Neither CP nor any of its related persons receive any form of compensation from any recommended investment manager; however, the investment managers have their own fee structures to which clients are subject.

CP monitors manager performance and provides and presents periodic performance reports to clients. Managers recommended to clients have full investment discretion and trading authority and sole responsibility for the implementation of the investment program with respect to the client's account.

Investment discretion has been delegated by the client to and accepted by the institutional money managers.

CP does not place orders for transactions in the client's account or otherwise exercise trading authority over the account at any time.

## **Fees and Compensation**

Compensation to be paid to CP generally conforms to the following schedule:

<u>Assets</u>	<u>Annual Fee</u>
For assets up to \$500 million	.40%
For assets over \$500 million	.15%

The first payment is due upon execution of the advisory agreement and will be assessed pro rata in the event that the agreement is executed at any time other than the first business day of the calendar quarter. Thereafter, the management fee is payable quarterly in advance and is based on the net assets of the account as of the last trading day of the previous calendar quarter. If assets are deposited or withdrawn by a client after the inception of a quarter, a fee with respect to such assets will be prorated and charged based on the market value of the assets at close of business on the day of deposit or withdrawal and the number of days remaining or elapsed in such quarter.

In addition, and in accordance with Rule 205-3 under the Advisers Act, clients may be subject to an annual incentive fee equal to 3.0% of clients' aggregate net profits as of the end of each calendar year, including unrealized gains, if any, in excess of the applicable hurdle rate of return. The typical hurdle rate of return is a non-cumulative, non-compounded net rate of 10% per annum and is adjusted pro rata for a partial year. The incentive fee is paid in arrears and is based on the net asset value of clients' portfolio on the last trading day of the calendar year or last trading day that was managed by CP.

The investment advisory agreement is terminable by either party on prior written notice (the agreement specifies the number of days prior to termination that written notice must be submitted).

### *General Information on Fees*

Fees may be negotiated in the discretion of CP. Fees are billed as incurred.

The fees charged by CP are separate and distinct from the fees charged by recommended investment funds, custodians, and investment managers.

## **Performance Based Fees and Side-by-Side Management**

As stated in the Fees and Compensation section above, CP may charge performance based fees which are fees based on a share of capital appreciation of the client's assets.

The fact that CP may be compensated based on account performance may create an incentive for CP to recommend investments that may be riskier or more speculative than would be the case in the absence of such compensation. In addition, a performance-based fee is based primarily on realized and unrealized gains and losses. As a result, a performance-based fee earned could be based on unrealized gains that clients may never realize.

## **Types of Clients**

CP provides advisory services to endowments, foundations, trusts, and charitable organizations. CP generally requires a minimum investment of \$100 million to open an advisory account. CP has discretion to waive the account minimum.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

CP recommends various investment strategies when providing asset allocation recommendations to clients. Recommended strategies are based upon a client's goals and objectives. CP assesses various investment options (e.g., asset allocations for investments in securities and with investment managers), to form the basis for recommending strategies designed to achieve the client's investment goals and objectives.

CP uses proprietary and non-proprietary models in an effort to determine appropriate asset classes for client investment. Also, CP uses proprietary and non-proprietary databases to determine the appropriate investment managers in which clients should invest. CP does not independently audit or verify the performance figures reported by the funds or managers that appear in these databases. Specific investment recommendations for the assets allocated to a particular investment fund are determined by the investment managers selected by CP. Also, specific securities analysis methods are also determined by the selected investment managers.

The investment program of accounts overseen by CP may involve significant risk factors and is suitable only for experienced and sophisticated clients who can bear the economic risk of the loss of their entire investment and who have limited need for liquidity in their investment. Further, due to the illiquid nature of certain assets of the investment managers that CP recommends, clients may redeem or withdraw their investment at a price that does not always accurately reflect the value of their investment.

Although CP will seek to select only investment managers who will invest clients' assets with the highest level of integrity, CP's investment selection process cannot ensure that selected investment managers will perform as desired, and CP will have no control over the day-to-day operations of any selected money managers. CP would not necessarily be aware of certain activities at the underlying investment manager level, including without limitation an investment manager's engaging in unreported risks, investment "style drift" or even regulatory breach or fraud. As a result, there can be no assurance that investment managers selected by CP will conform their conduct to the desired standards. There is a risk that underlying investment managers may suffer loss as a result of poor performance, failure to raise assets, regulatory violations and enforcement actions, fraud or other factors, which in any case may result in a complete loss of a client's investment with such investment manager. Investments with underlying investment managers carry additional risks including, but not limited to, lack of liquidity, lack of diversification, lack of transparency, reliance on investment managers for performance and valuation information, and dependence on key personnel risk.

CP's investment manager recommendations may be subject to inherent risks associated with investments in securities as well as additional risks including, but not limited to, the use of short sales, use of leverage, custodian and prime broker insolvency, lack of diversification, counterparty credit, and settlement default risk. There can be no assurances that client accounts managed by CP will achieve their investment objectives.

## **Disciplinary Information**

CP and its employees have not been involved in any legal or disciplinary events in the past 10 years.

## **Other Financial Industry Activities and Affiliations**

CP and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

To avoid any potential conflicts of interest involving the misuse of material, nonpublic information or personal trading for the benefit of the CP or its principals and employees, CP has adopted a written Code of Ethics designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Advisers Act. The Code of Ethics contains the following restrictions:

- 1) A director, partner, officer or employee of CP shall not buy or sell securities for his or her personal portfolio(s) where his or her 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 person of CP shall prefer his or her own interest to that of the advisory client.
- 2) CP maintains a list of all securities holdings for itself, and anyone associated with its advisory practice. CP requires employees to a) pre-clear certain personal securities transactions, b) report personal securities transactions on at least a quarterly basis, and c) provide CP with a detailed summary of certain holdings (upon commencement of employment and quarterly thereafter) over which such Employees have a direct or indirect beneficial interest. These holdings are reviewed on a quarterly basis by a principal or his designate.
- 3) CP requires that all directors, partners, officers and employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

Any director, partner, officer or employee not in observance of the above may be subject to termination.

A copy of CP's Code of Ethics shall be provided to any client or prospective client upon request.

## **Brokerage Practices**

CP has no authority to determine the broker or dealer that might be used to purchase securities for client accounts. Clients may have a pre-established relationship with a broker, and if so, they will instruct the investment fund manager or IMM to execute all transactions through that broker. In directing the use of a particular broker or dealer, clients may not receive certain benefits that may otherwise be obtained and it should be understood that the investment manager(s) will not have authority to obtain volume discounts. Consequently, clients directing the use of a particular broker may not receive best execution.

## **Review of Accounts**

Each account is continuously reviewed for performance and strategy of managers in which CP's clients are invested. CP's principals are responsible for conducting these reviews.

CP generally provides written performance reports on a monthly or quarterly basis, based upon the client's request. These reports detail the client's positions, gains and losses, income and expenses, and the performance of all investment funds of the client.

## **Client Referrals and Other Compensation**

CP does not receive any economic benefit from anyone who is not a client. CP does not compensate anyone for client referrals.

## **Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks. CP cannot access clients' accounts and is not considered to have custody of client assets.

## **Investment Discretion**

Each IMM that CP selects for its clients generally will have investment discretion over that portion of the client's accounts managed by the particular IMM. The client will have a direct contractual relationship with each such IMM and should receive disclosures of each such manager's practices, including brokerage, aggregation of orders, and use by the IMM of "soft dollars" to obtain research products and services from broker-dealers based on customer orders placed through the brokers. The designation by a client of a particular broker for execution of client account transactions (particularly if it differs from the brokers used by that manager for execution of most of the manager's other clients' accounts) may affect the commission rates and the method and pricing of execution of the client's account transactions for the portion of the client's portfolio managed by a particular investment adviser. The client is urged to review each IMM's disclosures on brokerage practices in deciding whether to direct the IMM to use a particular broker or dealer for execution of the client's portfolio transactions.

Investment fund managers or IMM's may occasionally execute over-the-counter ("OTC") securities transactions on an agency basis. Thus, clients may incur two transaction costs for a single trade: a commission paid to the executing broker-dealer plus any mark-up or mark-down charged by the market-making broker-dealer, which is included in the offer of bid price of the securities purchased or sold.

## **Voting Client Securities**

CP does not have authority to vote on proxies for securities held by clients. CP clients consult their own investment managers for information on their proxy voting services.

In addition, CP does not participate in class action settlements on behalf of Clients. Clients assume the sole responsibility of evaluating the merits and risks associated with any class action settlement; therefore clients are responsible for filing proofs of claims.

## **Financial Information**

CP has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.