

CornerStone Partners, LLC

Part 2A of Form ADV

The Brochure

675 Peter Jefferson Parkway, Suite 160
Charlottesville, VA 22911
(434) 296-2300
<http://www.cstonellc.com/>

Updated: March 2012

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 (“SEC”) or by any state securities authority.

Additional information about CP is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Material Changes

The majority of CP’s business activities have not changed since the last annual update of this brochure in March 2011. However, in September 2011 CP began managing a new client portfolio on a discretionary basis. As of March 2011, CP only managed client portfolios on a non-discretionary basis. In addition, CP is deemed to have custody with respect to this particular client’s funds and securities. As of March 2011,

CP did not have custody with respect to any client funds or securities. Only material changes since the last annual update of this brochure are discussed in this section of this brochure. Additional information regarding these material changes appears throughout this brochure.

Table of Contents

| | |
|---|----|
| Material Changes | 1 |
| Table of Contents | 2 |
| Advisory Business | 2 |
| Fees and Compensation | 3 |
| Performance Based Fees and Side-by-Side Management..... | 4 |
| Types of Clients | 4 |
| Methods of Analysis, Investment Strategies and Risk of Loss | 4 |
| Disciplinary Information..... | 5 |
| Other Financial Industry Activities and Affiliations..... | 5 |
| Code of Ethics, Participation or Interest in Client Transactions and Personal Trading | 5 |
| Brokerage Practices | 6 |
| Review of Accounts..... | 8 |
| Client Referrals and Other Compensation | 8 |
| Custody | 8 |
| Investment Discretion | 9 |
| Voting Client Securities..... | 9 |
| Financial Information..... | 10 |

Advisory Business

The Company was founded in July 1997 and is owned by Peter Brooks, Donald Laing, Kevin Schuyler and Chris Laing. As of December 31, 2011 the Company managed approximately \$3,875,000,000.00 on a non-discretionary basis and approximately \$107,000,000.00 on a 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 or invests on a discretionary basis with third-party investment managers within each asset class that meet the client's individual requirements. CP may, on a discretionary basis, purchase, sell, tender, exchange, convert or exercise and otherwise acquire or dispose of and trade and deal in a wide range of securities and other investments, including investments with third-party investment managers and/or investments in private investment vehicles, mutual funds, and private equity investments. Discretionary and non-discretionary client portfolios are monitored on an ongoing basis by CP. When necessary and appropriate, subsequent recommendations or investment decisions regarding clients' asset allocations or specific third-party investment managers are made by CP in accordance with investment goals and objectives established jointly by CP and each client. Each client is provided the opportunity to place restrictions on the types of investments that may be recommended or made for its account(s).

Neither CP nor any of its related persons receive any form of compensation from any recommended third-party 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. Third-party investment managers recommended to clients or invested with on a discretionary basis on behalf of clients have full investment discretion and trading authority and sole responsibility for the

implementation of the investment program with respect to the relevant portion of the client's account. Under such circumstances, investment discretion has been delegated to and accepted by the third-party money managers.

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 billed and 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 or refunded/credited 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 Investment Advisers Act of 1940 ("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). In the event that the advisory agreement is terminated and the client account holds illiquid investments, the management fee shall generally terminate with respect to such illiquid investments. Any redemption or withdrawal fees charged by third-party investment funds or managers applicable to illiquid investments shall be borne by the client.

General Information on Fees

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

The Performance Based Fees and Side-by-Side Management section of this brochure discusses the potential conflicts of interest such fee arrangements can create.

The fees charged by CP are separate and distinct from the fees charged by recommended investment funds, custodians, and third-party investment managers. Also, CP's management and incentive fees are separate from brokerage commissions, transaction fees, services fees, borrowing charges and other related costs and expenses incurred by client accounts. The Brokerage Practices section of this brochure further describes the factors CP considers in selecting or recommending brokers, dealers, and other counterparties for discretionary client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

One of the conflicts that may arise in connection with management fee and incentive fee compensation calculation would be a conflict of interests relating to valuation. Valuation of clients' investments (which

will indirectly determine the amount of the management and incentive fee) may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, clients could be adversely affected. Independent pricing information may not at times be available with respect to certain of clients' securities and other investments. Accordingly, while best efforts will be used to value all applicable investments in such client accounts fairly, certain investments may be difficult to value and may be subject to varying interpretations of value.

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. To the extent CP manages both accounts that are charged a performance based fee and accounts that are not charged a performance based fee, the Company may be incentivized to favor accounts for which CP receives a performance based fee. CP attempts to address this potential conflict of interest and to ensure that all clients are treated fairly and equitably by monitoring investments recommended and made for client accounts on an ongoing basis, endeavoring to ensure that are appropriate without regard to the potential for performance compensation and by maintaining portfolio management and allocation policies and procedures designed to ensure that clients are treated fairly over time.

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

The following is a brief overview of some of the unique risks associated with CP's investment strategies; however, it is not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management of client accounts.

CP recommends or implements various investment strategies when providing asset allocation recommendations to clients or implementing asset allocation investment decisions on behalf of 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 or implementing 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 or invests with, clients or CP may redeem or withdraw the investment at a price that does not always accurately reflect the value of the 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 recommendations or selections of investment managers 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 that disadvantages clients while benefitting of 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, dealer, or other intermediary that might be used to purchase securities and other investments for non-discretionary client accounts. Though CP generally has authority to determine the broker, dealer, or other intermediary that would be used to purchase securities and other investments for discretionary client accounts, investments with third-party investment managers and investments in third-party investment funds generally do not involve brokers, dealers, or other intermediaries.

To the limited extent CP may transact in public securities for the discretionary client accounts, or engage intermediaries to effect transactions in private securities or other private investments for discretionary client accounts, it intends to select brokers, dealers and other intermediaries based upon their ability to provide best execution. For discretionary clients, CP is generally authorized to make some or all of the following determinations, subject to each client's investment management agreement: (i) which securities or other investments to buy or sell; (ii) the total amount of securities or other investments to buy or sell; (iii) the executing broker or dealer or other intermediary for any transaction; and (iv) the commission rates or commission equivalents charged for transactions.

In making its decisions regarding the allocation of brokerage transactions for each discretionary client account, CP will consider a variety of factors, including, but not limited to, general expertise and background, the type and size of the transaction involved, the stability or solvency of the broker, dealer or intermediary, settlement capabilities, time required to complete the role sought, research services or any arrangements relating to overall performance in the best interest of the client. Although CP generally seeks competitive commission rates and commission equivalents, it will not necessarily pay the lowest commission or equivalent. Transactions may involve specialized services on the part of a broker, dealer or intermediary, which may justify higher commissions and equivalents than would be the case for more routine services.

CP does not participate in any formal soft dollar arrangements but may receive research products or services from brokers, dealers and other counterparties or intermediaries that, to the best of CP's knowledge, are generally made available to all institutional clients doing business with these counterparties. These products and services are made available to CP on an unsolicited basis and without regard to transaction costs paid by CP's clients or the volume of business CP directs to these third parties. CP does not separately compensate such third parties for the research. Research services received from brokers, dealers, and other counterparties or intermediaries are supplemental to CP's own research effort. CP may have an incentive to select a broker, dealer or other counterparty or intermediary based on its interest in receiving the research or other products or services, rather than on the client's interest in receiving most favorable execution. The recommendation to or use of a particular broker, dealer, or other intermediary for one client may result in an indirect benefit to another client and, as a result, such

ancillary benefits may create an incentive for CP to select a broker, dealer, or other intermediary at the expense of one client to benefit another client.

Some third-party investment managers and third-party fund managers may allocate transactions to brokers in consideration of such brokers' provision of, or payment of the cost of, certain services that are of benefit to the account or fund and/or other clients of that investment or fund manager. In such circumstances, transactions for the fund or account are usually allocated to brokers in consideration of such factors as price, the ability of the brokers to effect the transactions, the brokers' facilities, reliability and financial responsibility, and any research or investment management-related services and equipment provided by such brokers. Accordingly, if an investment manager determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and research or investment management-related services and equipment provided by such broker, the fund or account may pay commissions to such broker in an amount greater than the amount another broker might charge.

Research or investment management-related services and equipment provided by brokers through which transactions for a fund or account are executed, settled and cleared may include research reports on particular industries and companies, economic surveys and analyses, recommendations as to specific securities, on-line quotation systems, news and research services and other services providing lawful and appropriate assistance to the third-party investment managers or fund managers (collectively "soft dollar items").

Soft dollar items may be provided directly by brokers, by third parties at the direction of brokers, or purchased by the third-party investment manager or fund manager for the fund or account with credits or rebates provided by brokers. Soft dollar items may arise from over-the-counter principal transactions, as well as exchange traded agency transactions. Brokers sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above.

Third-party investment managers and fund managers may use soft dollar items in certain circumstances, provided that the fund or account does not pay a rate of commissions in excess of what is competitively available from comparable brokerage firms for comparable services, taking into account various factors, including commission rates, financial responsibility and strength and ability of the broker to efficiently execute transactions. Non-research products acquired by third-party investment managers or fund managers through the use of "soft dollars" are outside the parameters of Section 28(e)'s "safe harbor," as are transactions effected in futures, currencies or certain derivatives. Certain soft dollar items received may be permitted in some cases outside the "safe harbor" of Section 28(e) under the specific authority of a fund's governing documents or account's investment management agreement.

Brokers may also solicit or refer limited partners to invest in funds or other accounts managed by third-party investment managers or fund managers. The availability of these benefits may create a conflict of interest for such investment managers and fund managers with respect to selecting one broker rather than another to perform services. Third-party investment managers and fund managers are expected to use their best efforts to assure either that the fees and costs for services ultimately provided to CP clients by such brokers are reasonable in relation to the fees and costs charged by other equally capable brokers not offering such services or that the clients also will benefit from the services. The receipt by investment managers and fund managers of these benefits might increase brokerage expenses.

Clients may have a pre-established relationship with a broker, and if so, they may instruct CP or the third-party investment manager or third-party investment fund manager 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 CP or 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.

CP may aggregate investment transactions among discretionary clients or simultaneously disseminate investment recommendations to non-discretionary clients when such aggregation is expected to be in the best interest of all clients and in compliance with such clients' investment management agreements. If and when applicable, CP will allocate aggregated transactions on terms and conditions that are substantially the same, unless specific legal, tax, regulatory or other restrictions apply.

Review of Accounts

Each account is continuously reviewed for performance of investments and 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, 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 directly compensate anyone for client referrals.

From time to time CP makes charitable donations and sponsors charity events. Such activities are at the sole discretion of CP, but are sometimes at the request of a client, prospective client, consultant, and other individuals and entities or affiliates with which CP does or may do business with in the future. CP may have an incentive to make such contributions, donations, and sponsorships for a number of reasons. For example, the individuals and entities making these requests may pay CP management and incentive fees for investment advisory services rendered and/or may refer clients to CP who would subsequently pay management and incentive fees.

In the normal course of business, CP may also provide gifts and gratuities that in some cases may take the form of charitable contributions and donations to various individuals and entities such as clients. These gifts and gratuities are not premised upon client referrals or any other type of benefit to CP. Nevertheless, this practice may present the appearance of a conflict of interest in the event that the individual or entity refers a prospective client to CP.

CP maintains written policies and procedures with regard to the giving and receipt of gifts and gratuities and the giving of donations, contributions, and sponsorships in order to help minimize the risks associated with potential conflicts of interest between the interests of CP and its clients.

Custody

All clients' assets are held in custody by unaffiliated "qualified custodians", such as broker-dealers or banks, in accordance with Rule 206(4)-2 under the Advisers Act. CP cannot access clients' accounts and is not considered to have custody of client assets for the majority of its client accounts. However, CP has access to certain clients' assets where it has been given limited power of attorney with respect to such

clients' accounts. CP will form a reasonable basis, after "due inquiry," that such clients' qualified custodians send account statements at least quarterly to each such client identifying the amount of funds and each security held by each account at the end of the period and setting forth all cash and security portfolio transactions during the period. Clients should carefully review such statements and are urged to compare the account statements they receive from the qualified custodians with those they receive from CP. In addition, with respect to clients for which CP is deemed to have custody, CP will make arrangements for a "surprise audit" of each such client account by an independent accountant as prescribed by paragraph (a)(4) of Rule 206(4)-2.

Investment Discretion

CP does not have discretionary authority with respect to the majority of its clients' accounts. However, each third-party investment manager or fund manager that CP recommends and that the client selects generally will have investment discretion over that portion of the client's account. Each non-discretionary client will have a direct contractual relationship with each such third-party investment manager and should receive disclosures of each such manager's practices, including brokerage, aggregation of orders, and use by the manager 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 third-party investment manager disclosures on brokerage practices in deciding whether to direct the manager to use a particular broker or dealer for execution of the client's portfolio transactions.

Third-party investment managers or fund managers 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 or bid price of the securities purchased or sold.

With respect to the discretionary clients, CP has discretionary authority to determine appropriate investment strategies, identify and retain third-party investment managers, invest in third-party investment funds, and make direct purchases of securities and other investments, subject to each discretionary client's investment management agreement.

Voting Client Securities

CP does not have authority to vote proxies for securities held by non-discretionary client accounts. Non-discretionary clients should consult the third-party investment managers they have engaged for information on such manager's proxy voting services.

CP does have authority to vote proxies for securities held by discretionary client accounts. CP has adopted Proxy Voting policies and procedures (the "Procedures") that are designed to ensure that CP votes proxies with respect to discretionary client securities in the best interests of such clients. The Procedures also require that CP identify and address conflicts of interest between CP and its clients. If a material conflict of interest exists, CP will determine whether voting in accordance with the guidelines set forth in the Procedures is in the best interests of the client or whether CP should take some other appropriate action.

It should be noted that CP's discretionary client accounts often invest with third-party investment managers and/or in third-party investment funds. As such, the client accounts over which CP has

investment discretion generally do not hold exchange-traded securities that regularly solicit votes, consents or proxies. In the case that CP is required to make a vote or grant an approval relating to a third-party investment fund, CP generally votes in favor of routine corporate housekeeping proposals (where no corporate governance issues are implicated). Generally, for other proposals, CP will vote in accordance with the recommendation of management unless such vote would serve to subject investors to worse investment terms. Even in such event, CP would only oppose management's recommendation if such opposition would not result in the applicable client account's interest in the underlying fund being redeemed, unless it determines that such redemption is in the best interest of the applicable client. Discretionary clients may instruct CP regarding how to vote proxies relative to securities in their accounts if permitted by the investment management agreement.

Discretionary clients may obtain a copy of CP's Procedures and information about how CP voted proxies relative to securities in their account upon request.

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.