

Part 2A of Form ADV: *Firm Brochure*

Cornerstone Capital Management, Inc.

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This brochure provides information about the qualifications and business practices of Cornerstone Capital Management, Inc.. If you have any questions about the contents of this brochure, please contact us at 650-368-5600 or Laura@Cornerstonecap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Cornerstone Capital Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 124366.

Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 03/12/2012, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Item 3 Table of Contents

Page

Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	5
Item 6	Performance-Based Fees and Side-By-Side Management	7
Item 7	Types of Clients	7
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	7
Item 9	Disciplinary Information	9
Item 10	Other Financial Industry Activities and Affiliations	10
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	10
Item 12	Brokerage Practices	13
Item 13	Review of Accounts	13
Item 14	Client Referrals and Other Compensation	14
Item 15	Custody	14
Item 16	Investment Discretion	14
Item 17	Voting Client Securities	15
Item 18	Financial Information	16

Item 4 Advisory Business

Cornerstone Capital Management, Inc. is a SEC-registered investment adviser with its principal place of business located in CA. Cornerstone Capital Management, Inc. began conducting business in 1996.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Laura Jean Kent, President -Laura Kent has been in the securities industry for over 25 years and has been President of Cornerstone Capital Management, Inc. since its inception. She has a Stanford MBA and two degrees in Economics.

Cornerstone Capital Management, Inc. offers the following advisory services to our clients:

INDIVIDUAL PORTFOLIO MANAGEMENT

Our firm provides continuous asset management of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on the client's particular circumstances are established, we develop the client's personal investment policy. We create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. At the same time, clients are walked through the dynamics of the global investment arena and the cause and effects. As appropriate, we may also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), their assessment of risk, as well as tax considerations. Client input is taken into account regarding desires, goals, and comfort level regarding investments.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Once the client's portfolio has been established, we review the portfolio at least quarterly, and if necessary, rebalance the portfolio at least on an annual basis, based on the client's individual needs.

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

- Exchange-listed securities
- Securities traded over-the-counter

- Options contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests

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

PUBLICATION OF PERIODICALS

Cornerstone Capital Management, Inc. provides a quarterly update only to its clients providing a market update, general information on various financial topics including, but not limited to, estate and retirement planning, market trends, etc. Articles of interest may be included at times to provide further information on events. No specific investment recommendations are provided in this newsletter and the information provided does not purport to meet the objectives or needs of any individual. This newsletter is distributed free of charge to our advisory clients.

Item 5 Fees and Compensation

PORTFOLIO MANAGEMENT SERVICES FEES

Our annual fees for Portfolio Management Services are based upon a percentage of assets under management and are 1.00%. There is a minimum fee of \$440 per year. Thus in the case where an account size is under \$44,000, the annual fee charge would translate to a higher percentage. These fees are charged quarterly in advance. Fees are due and payable on the first day of the month that begins a new calendar quarter.

Limited Negotiability of Advisory Fees: Although Cornerstone Capital Management, Inc. has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management; related accounts; and portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We group related client accounts for the purposes of performance review and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

GENERAL INFORMATION

Termination of the Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, management fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

Mutual Fund Fees: All fees paid to Cornerstone Capital Management, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Additional Fees and Expenses: In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

ERISA Accounts: Cornerstone Capital Management, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Cornerstone Capital Management, Inc. may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Cornerstone Capital Management, Inc.'s advisory fees.

Advisory Fees in General: Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Limited Prepayment of Fees: Under no circumstances do we require or solicit payment of fees more than six months in advance of services rendered.

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

Cornerstone Capital Management, Inc. does not charge performance-based fees.

Item 7 Types of Clients

Cornerstone Capital Management, Inc. provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations

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

METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Fundamental Analysis. We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. Additionally unanticipated events such as regulatory changes may impact an entire industry and add to the risks of stock selection.

Technical Analysis. We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Asset Allocation. Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. Client assets are allocated across asset classes such as gold and silver, currencies and commodities indices in an attempt to reduce risk and position client portfolios for trends in the markets due to changes in the economy. However, risks can never be fully addressed and there are unanticipated events that may move against an asset class.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Long-term purchases. We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases. When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

Margin transactions. We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock or withdraw cash without selling other holdings.

Options. We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

The following are disciplinary events relating to our firm and/or our management personnel:

As noted, Laura J. Kent has been in the securities industry for over twenty-five years and Cornerstone Capital Management, Inc. has been operating since 1996. Over the last ten years there has been one material event with regulatory authorities which have been resolved. This includes:

During a routine audit by the SEC, questions were raised regarding the valuation of certain private placement positions held in some client portfolio accounts and the assessed management fees related to those private placement positions. Looking in hindsight, the SEC alleged that Cornerstone and Laura Kent knew or should have known that the value of certain private placement programs were impaired when Cornerstone charged asset based

management fees on its quarterly portfolio reviews. Cornerstone Capital Management had maintained these residual private placement positions at cost, which was its policy. The SEC alleged that by maintaining the values at cost, Cornerstone ended up collecting higher management fees by the proportionate percent the SEC inferred they should have been marked down. Additionally, the SEC felt Cornerstone did not communicate all information it knew or should have known about the programs. In the settlement, Cornerstone and the SEC agreed that a percentage of the management fees attributable to those private placements would be returned to the impacted clients. No penalties or fines were involved or assessed.

Item 10 Other Financial Industry Activities and Affiliations

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

Other pooled investment vehicle(s):

Management personnel of Cornerstone Capital Management, Inc. may also be managing member(s) of limited liability companies (LLCs) and/or general partner(s) to limited partnerships (LPs) formed for investment purposes. As appropriate, our advisory clients may be solicited to invest in such LLCs and/or LPs. These related persons of our firm do not receive investment advisory compensation in relation to these investments, but do have a conflict of interest in soliciting client investments.

Because investment in these types of entities may involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Related persons of our firm may spend as much as 20% of their time on these related activities.

A list of these affiliated entities is specifically disclosed on Schedule D of Form ADV, Part 1 at Item 7.B. Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

Clients interested in investing in the partnership/company should refer to the partnership's/company's private placement memorandum for more information specific to the partnership/company.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal

securities laws.

Cornerstone Capital Management, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Our code also provides for oversight, enforcement and recordkeeping provisions.

Cornerstone Capital Management, Inc.'s Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to Laura@Cornerstonecap.com, or by calling us at 650-368-5600.

The principals of Cornerstone Capital Management, Inc. are also the principals of Cornerstone Investment Circle, LLC. The General Partner has designated Cornerstone Capital Management, Inc. as having primary responsibility for investment management and administrative matters, such as accounting tax and periodic reporting, pertaining to the Fund. Cornerstone Capital Management, Inc. and our members, officers and employees will devote to the Fund as much time as we deem necessary and appropriate to manage the Fund's business. Cornerstone Capital Management, Inc. and our affiliates are not restricted from forming additional investment funds, entering into other investment advisory relationships or engaging in other business activities, even though such activities may be in competition with the Fund and/or may involve substantial time and resources of our firm and our affiliates. Potentially, such activities could be viewed as creating a conflict of interest in that the time and effort of our management personnel and employees will not be devoted exclusively to the business of the Fund, but could be allocated between the business of the Fund and other of our business activities and those of our affiliates.

Investments in this Fund are no longer permitted. Clients who originally invested in the Fund may be charged additional advisory fees other than the advisory fee allocated to the limited partners of the Fund if a fee is being charged by the Fund. In addition these clients may distribute their ownership of the Fund to other individuals.

The Fund is not required to register as an investment company under the Investment Company Act of 1940 in reliance upon an exemption available to funds whose securities are not publicly offered. Cornerstone Capital Management, Inc. manages the Fund on a discretionary basis in accordance with the terms and conditions of the Fund's offering and organizational documents.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing

employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In such cases, the firm enters the positions on a last in and last out basis. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

9. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
11. Any individual who violates any of the above restrictions may be subject to termination.

Item 12 Brokerage Practices

With the exception of individual private placement positions, Cornerstone Capital Management, Inc. monitors client holdings and posts trades at client brokerage institutions. Upon request Cornerstone Capital Management, Inc. will suggest a brokerage firm for the clients to utilize. Periodic reviews of brokerage firms for financial safety and trading fees is done by Cornerstone Capital Management, Inc. to ensure the best possible trading fees and practices for the client.

Cornerstone Capital Management, Inc. does not have any soft-dollar arrangements and does not receive any soft-dollar benefits. As a result, Cornerstone Capital Management does not receive any portion of brokerage commissions for securities trading.

As a matter of policy and practice, Cornerstone Capital Management, Inc. does not generally block client trades and, therefore, we implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

Item 13 Review of Accounts

PORTFOLIO MANAGEMENT SERVICES

REVIEWS: While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: Laura J. Kent, President of Cornerstone Capital Management, Inc.

REPORTS: In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients receive from their broker-dealer, Cornerstone Capital Management, Inc. provides quarterly performance reports summarizing account performance, balances and holdings.

Item 14 Client Referrals and Other Compensation

It is Cornerstone Capital Management, Inc.'s policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is Cornerstone Capital Management, Inc.'s policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Item 15 Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directs the clients' custodian to debit advisory fees from client accounts. In a few cases, some clients prefer to pay their management fees outside of their account.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send a performance review directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these reviews with their custodians' statement to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

Item 16 Investment Discretion

Cornerstone Capital Management, Inc. generally manages all accounts on a non-discretionary basis. In rare circumstances, clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission. Moreover, in the

case of selling out of a position and as the Registered Investment Advisor contract details, Cornerstone Capital Management, Inc. may sell the position prior to contacting the client.

Cornerstone Capital Management, Inc. will periodically use its' discretion, without contacting the client, based on client objectives and prior asset mix approval to:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

As previously disclosed in Item 4 of this brochure, our firm does not provide discretionary asset management services.

Item 17 Voting Client Securities

Upon request we vote proxies for requested client accounts; however, clients always have the right to vote proxies for themselves. Clients can exercise this right by instructing us in writing to not vote proxies in your account.

When voted, we will vote proxies in the best interests of its clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Cornerstone Capital Management, Inc. by telephone, email, or in writing. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. Upon request by individual clients, we will make reasonable efforts to assist the client in completing such notices in a timely manner.

With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact Cornerstone Capital Management, Inc. by telephone, email, or in writing.

Clients can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. Clients can also instruct us on how to cast your vote in a particular proxy contest by contacting us at

650-368-5600. Cornerstone Capital Management, Inc. will make a best effort to accommodate the client request.

Item 18 Financial Information

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Cornerstone Capital Management, Inc. has no additional financial circumstances to report.

Cornerstone Capital Management, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.