

Cornerstone Wealth Advisors, Inc.
135 Grandview Square | 5201 Eden Avenue South
Edina, MN 55436
(952) 920-3900

Firm Contact: Jonathan Guyton
Chief Compliance Officer

Firm Website:
www.CornerstoneWealthAdvisors.com

This brochure provides information about the qualifications and business practices of Cornerstone Wealth Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at (952) 920-3900 or jon@cornerstonewealthadvisors.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 Wealth Advisors, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

Please note that the use of the term "registered investment adviser" and description of Cornerstone Wealth Advisors, Inc. and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and its employees.

ITEM 2: MATERIAL CHANGES

Cornerstone Wealth Advisors, Inc. is required to advise you of any material changes to our Firm Brochure ("Brochure") from our last annual update. We must state clearly that we are only discussing material changes since the last annual update of our Brochure, and also provide the date of the last annual update of our Brochure.

At this time, there are no material changes to report about our Brochure.

Last Annual Amendment: March, 2013

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ITEM 4: ADVISORY BUSINESS

A. Description of our advisory firm, including how long we have been in business and our principal owner(s).

We are dedicated to providing individuals and other types of clients with a wide array of comprehensive financial planning, wealth management and investment advisory services. Our firm is a corporation formed in the State of Minnesota and has been in business as an investment adviser since 2003 (its predecessor, Retirement Solutions, since 1992) and is one-hundred-percent owned by Jonathan Todd Guyton.

B. Description of the types of advisory services we offer.

(i) Comprehensive Financial Planning and Consulting:

We begin by meeting with you to understand your financial values and money history before proceeding to establish your specific financial and/or life goals. We then conduct a thorough fact-finding of your financial situation at a second meeting. Based on what we learn in these meetings, we provide a written analysis and appropriate recommendations which assess planning strategies and techniques that can enhance your ability to achieve your financial and life goals. Our recommendations may address – but are not limited to – cash flow planning, liability management, retirement distribution planning and income generation, investment allocation, portfolio design, analysis of current holdings, education planning, income tax planning and management, stock option exercise, estate planning, charitable giving, family wealth transfer, protection planning and special needs funding. We base our recommendations on the facts and representations that you make to us. These financial planning and consulting services are typically completed within six (6) months of your signing an Agreement with us, assuming that you promptly provide the information and documents which we request. Implementation of our recommendations is at your sole discretion. In these recommendations, we may refer you to an accountant, attorney or other specialist as necessary for non-advisory related services we believe are appropriate. We consider that these Services will have been provided in full by the thirtieth (30th) day following the meeting at which we present your written recommendations to you.

(ii) Ongoing Comprehensive Wealth Management:

Our ongoing advisory services are designed to help you achieve your financial goals in a manner consistent with your values and priorities. We are often engaged to provide these services immediately following the completion of our financial planning work described above. Our Ongoing Comprehensive Wealth Management services include:

- Semi-annual meetings to review your goals, priorities, changes in your situation, general economic conditions and outlook, progress toward your goals, cash flow, employment compensation and benefits, liabilities, asset protection and insurances, education planning, investment allocation and portfolio performance, retirement income distribution strategies and management, concentrated stock positions, stock option strategy, employer retirement plans, income tax situation and estate or charitable giving plans and other matters that may affect your financial well-being or ability to achieve your financial goals
- Additional meetings as needed for conversations regarding any of the matters mentioned above (We reserve the right to charge additional fees for such meetings, but have never had reason to do so)
- Creation and maintenance of an Investment Policy Statement that establishes your investment objectives, risk tolerance, appropriate asset classes as well as any restrictions you wish to place on the management of your portfolio, including whether we will have discretion within the parameters of your Investment Policy
- Analysis to determine the appropriate allocation of assets between various asset classes
- Analysis, selection and purchase of investment securities to implement your Investment Policy. In doing this, we may propose an investment portfolio, consisting of exchange traded funds, mutual funds, individual stocks or bonds, or other securities. Upon your agreement to the proposed Investment Policy, we work with you to establish or transfer investment accounts so that we can manage your portfolio accordingly.
- Regular and ongoing monitoring of your portfolio, asset allocation and security selection. Once these accounts are established under our management, we review them on a regular basis and at least quarterly. In accordance with your Investment Policy, we may periodically rebalance your portfolio. Should you experiences any significant changes to your financial or personal circumstances between regular review meetings, we will need you to notify us so that we can consider such information in managing your investment portfolio.
- Quarterly reports detailing your portfolio's holdings, asset allocation, performance and our outlook for the economy and financial markets
- Creation and maintenance of a Withdrawal Policy Statement at the time you require regular distributions from your portfolio that establishes your income requirements and specifies their sources, adjustments for inflation and trigger points for modifications when necessary to maintain your income's sustainability

(iii) Ongoing Investment Portfolio Management:

Our Ongoing Investment Portfolio Management services are most typically offered to charitable organizations, trust and individuals who do not have financial planning goals on which we advise them. These services include:

- Semi-annual review of your investment goals, priorities, changes in your situation, general economic conditions and outlook, investment allocation and portfolio performance
- Creation and maintenance of an Investment Policy Statement that establishes your investment objectives, risk tolerance, appropriate asset classes as well as any restrictions you wish to place on the management of your portfolio, including whether we will have discretion within the parameters of your Investment Policy
- Analysis to determine the appropriate allocation of assets between various asset classes
- Analysis, selection and purchase of investment securities to implement your Investment Policy. In doing this, we may propose an investment portfolio, consisting of exchange traded funds, mutual funds, individual stocks or bonds, or other securities. Upon your agreement to the proposed Investment Policy, we work with you to establish or transfer investment accounts so that we can manage your portfolio accordingly.
- Regular and ongoing monitoring of your portfolio, asset allocation and security selection. Once these accounts are established under our management, we review them on a regular basis and at least quarterly. In accordance with your Investment Policy, we may periodically rebalance your portfolio. Should you experiences any significant changes to your financial or personal circumstances between regular review meetings, we will need you to notify us so that we can consider such information in managing your investment portfolio.
- Quarterly reports detailing your portfolio's holdings, asset allocation, performance and our outlook for the economy and financial markets

C. Explanation of whether (and, if so, how) we tailor our advisory services to the individual needs of clients, whether clients may impose restrictions on investing in certain securities or types of securities

(i) Individual tailoring of advice to clients:

We offer individualized advice to clients utilizing the following services offered by our firm: Comprehensive Financial Planning; Ongoing Comprehensive Wealth Management; and Ongoing Investment Portfolio Management.

(ii) Ability of clients to impose restrictions on investing in certain securities or types of securities:

We usually do not allow clients to impose restrictions on investing in certain securities or types of securities. In the rare instance that we would allow such restrictions, it is limited to restrictions that do not unduly impede our ability to otherwise execute their Investment Policy. Such restrictions are limited to the following services: Ongoing Comprehensive Wealth Management and Ongoing Investment Portfolio Management. We only manage assets through these two advisory services.

D. Participation in wrap fee programs.

We do not offer wrap fee programs.

E. Disclosure of the amount of client assets we manage on a discretionary basis and the amount of client assets we manage on a non-discretionary basis as of December 31, 2012.

We manage¹ \$145,755,000 on a discretionary basis and \$16,930,000 on a non-discretionary basis as of December 31, 2012.

ITEM 5: FEES AND COMPENSATION

We are required to describe our brokerage, custody, fees and fund expenses so you will know how much you are charged and by whom for the advisory services we provide to you. Our fees may be negotiable.

A. Description of how we are compensated for the advisory services we provide you:

(i) Comprehensive Financial Planning and Consulting:

We charge a flat fee for financial planning and consulting services. Our fee generally ranges from \$3,000 to \$6,000 and is based on the scope and complexity of your situation and our work on your behalf.

¹ Please note that our method for computing the amount of "client assets we manage" can be different from the method for computing "assets under management" required for Item 5.F in Part 1A of Form ADV. However, we have chosen to follow the method outlined for Item 5.F in Part 1A of Form ADV. If we decide to use a different method at a later date to compute "client assets we manage," we must keep documentation describing the method we use and inform you of the change. The amount of assets we manage may be disclosed by rounding to the nearest \$100,000. Our "as of" date must not be more than three months before the date we last updated our Brochure in response to Item 4.E of Form ADV Part 2A.

(ii) Ongoing Comprehensive Wealth Management:

In most cases, we charge an asset-based fee ranging from 1.00% on the first \$1,000,000 and declining above various thresholds to 0.30% on assets over \$10,000,000. These fees and thresholds are specified in our client Advisory Agreement. They are billed quarterly in arrears and are calculated on a pro-rata annualized basis based on the average daily value of your portfolio throughout the quarter. In lieu of an asset-based fee, we may charge an annual retainer fee, which is billed quarterly. In either case, our minimum annual fee is \$5,000. We provide full disclosure of the additional fees charged by any managers and/or custodians that we utilize.

(iii) Ongoing Investment Portfolio Management:

In most cases, we charge an asset-based fee ranging from 0.40% to 0.80% on the first \$1,000,000 and declining above various thresholds to 0.15% to 0.25% on assets over \$10,000,000. These fees and thresholds are specified in our client Advisory Agreement. They are billed quarterly in arrears and are calculated on a pro-rata annualized basis based on the average daily value of your portfolio throughout the quarter. In lieu of an asset-based fee, we may charge an annual retainer fee, which is billed quarterly. In either case, our minimum annual fee is \$5,000. We provide full disclosure of the additional fees charged by any managers and/or custodians that we utilize.

B. Description of whether we deduct fees from clients' assets or bill clients for fees incurred.

(i) Comprehensive Financial Planning and Consulting:

We may require a retainer of fifty-percent (50%) of the ultimate financial planning or consulting fee with the remainder of the fee directly billed to you and due to us within thirty (30) days of your financial plan being delivered or consultation rendered to you. In all cases, we will not require a retainer exceeding \$1,200 when services cannot be rendered within 6 (six) months.

(ii) Ongoing Comprehensive Wealth Management:

Our fees are billed quarterly in arrears. Asset-based fees are calculated on a pro-rata annualized basis based on the average daily value of your portfolio throughout the quarter. In most cases, these fees are automatically deducted from your investment managed accounts that we manage*. Accordingly, you understand and acknowledge the following:

- a) Your independent custodian sends statements to you at least quarterly showing all disbursements for your account, including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms;
- c) If we send a copy of our invoice to you, we send a copy of our invoice to the independent custodian at the same time we send the invoice to you;
- d) If we send a copy of our invoice to you, our invoice includes a legend as required by paragraph (a)(2) of Rule 206(4)-2 under the Investment Advisers Act of 1940.**

*In rare cases, we will agree to directly bill clients so that they may pay by check.

**The legend urges you to compare information provided in their statements with those from the qualified custodian in account opening notices and subsequent statements sent to the client for whom the adviser opens custodial accounts with the qualified custodian.

(iii) Ongoing Investment Portfolio Management:

Our fees are billed quarterly in arrears. Asset-based fees are calculated on a pro-rata annualized basis based on the average daily value of your portfolio throughout the quarter. In most cases, these fees are automatically deducted from your investment managed accounts that we manage*. Accordingly, you understand and acknowledge the following:

- a) Your independent custodian sends statements to you at least quarterly showing all disbursements for your account, including the amount of the advisory fees paid to us;
- b) You provide authorization permitting us to be directly paid by these terms;
- c) If we send a copy of our invoice to you, we send a copy of our invoice to the independent custodian at the same time we send the invoice to you;
- d) If we send a copy of our invoice to you, our invoice includes a legend as required by paragraph (a)(2) of Rule 206(4)-2 under the Investment Advisers Act of 1940.**

*In rare cases, we will agree to directly bill clients so that they may pay by check.

**The legend urges you to compare information provided in their statements with those from the qualified custodian in account opening notices and subsequent statements sent to the client for whom the adviser opens custodial accounts with the qualified custodian.

C. Description of any other types of fees or expenses clients may pay in connection with our advisory services, such as custodian fees or mutual fund expenses.

Ongoing Comprehensive Wealth Management clients and Investment Portfolio Management clients will incur transaction charges for trades executed in their accounts. These transaction fees are separate from our fees and will be disclosed by the firm through which the trades are executed. Also, clients will pay the following separately incurred expenses, which we do not receive any part of: charges imposed directly by a mutual fund, index fund, exchange traded fund or unit investment trust which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses).

D. Client's advisory fees are due quarterly in arrears.

We bill our advisory fees quarterly in arrears. Accordingly, we do not collect fees in advance for our Ongoing Comprehensive Wealth Management and Investment Portfolio Management services that could become unearned. In the event that you wish to terminate our Comprehensive Financial Planning and Consulting services, we will refund the unearned portion of our advisory fee to you. You need to contact us in writing and state that you wish to terminate our services. Upon receipt of your letter of termination, we will proceed to bill your account(s) for unpaid advisory services provided to date and to relinquish any access you may have granted to view or execute transactions in your account(s).

E. Commissionable securities sales.

We do not sell securities for a commission. In order to sell securities for a commission, we would need to have our associated persons registered with a broker-dealer. We have chosen not to do so.

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

We do not charge performance fees to our clients.

ITEM 7. TYPES OF CLIENTS AND ACCOUNT REQUIREMENTS

We have the following types of clients:

- Individuals
- Trusts, Estates or Charitable Organizations

Our requirements for Ongoing Comprehensive Wealth Management and Ongoing Investment Portfolio Management services are as follows:

- We charge a minimum fee of \$5,000.00 annually (\$1,250.00 quarterly) to all new clients

- There is no minimum asset level or account size to establish an advisory relationship

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

A. Description of the methods of analysis and investment strategies we use in formulating investment advice or managing assets.

Methods of Analysis:

- Please see Item 8 B below.

Investment Strategies we use:

- Core long term purchases (securities held at least a year);
- Strategic short term purchases (securities sold within a year);
- Margin transactions;
- Option writing, including covered options, uncovered options or spreading strategies

Please note:

Investing in securities involves risk of loss that clients should be prepared to bear. While the investment assets you hold may increase in value and your account(s) could enjoy a gain, it is also possible that their values may decline and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

B. We *primarily* use a particular method of analysis or strategy. The specific risks involved are:

Our firm uses a strategic asset allocation approach to design, implement, manage and monitor client portfolios. We utilize analytical factors and historical data such as mean rate of return, standard deviation, risk-adjusted return, relative performance, consistency of performance, relative price and valuation levels, relative earnings growth potential and covariance among asset classes to help understand how an asset has performed and is likely to perform over long periods of time. We believe this is an appropriate process to develop a long term investment strategy that employs a core mix of investment assets to help clients to fund their long-term financial objectives.

C. Our practices regarding cash balances in client accounts, including whether we invest cash balances for temporary purposes and, if so, how.

We generally maintain small cash balances of 5% or less of your overall portfolio's value. We invest your cash balances in money market funds, FDIC-Insured certificates of deposit, high-grade commercial paper and/or government backed debt instruments.

In most cases, at least a portion of your cash balance will be held in a money market account as a source for any anticipated withdrawals and so that our firm may debit advisory fees for our services related to Ongoing Comprehensive Wealth Management and Investment Portfolio Management services.

ITEM 9: DISCIPLINARY INFORMATION

We are required to disclose whether there are 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.

We have determined that our firm and management have nothing to disclose under the aforementioned standard.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

- A. Description of any relationship or arrangement that is material to our advisory business or to our clients, that we or any of our management persons have with any related person² listed below. We are required to identify the related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how we address it.

Our firm has an ownership interest in National Advisors Holdings, Inc. This interest represents less than one percent (< 1%) of the company's outstanding shares.

- B. If we recommend or select other investment advisers for our clients and we receive compensation directly or indirectly from those advisers, or we have other business relationships with those advisers, we are required to describe these practices and discuss the conflicts of interest these practices create and how we address them.

We have determined we have nothing to disclose in this regard.

² Our Related Persons are any advisory affiliates and any person that is under common control with our firm. Advisory Affiliate: Our advisory affiliates are (1) all of our officers, partners, or directors (or any person performing similar functions); (2) all persons directly or indirectly controlling or controlled by us; and (3) all of our current employees (other than employees performing only clerical, administrative, support or similar functions). Person: A natural person (an individual) or a company. A company includes any partnership, corporation, trust, limited liability company ("LLC"), limited liability partnership ("LLP"), sole proprietorship, or other organization.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR
INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

A. Brief description of our Code of Ethics adopted pursuant to SEC rule 204A-1 and offer to provide a copy of our Code of Ethics to any client or prospective client upon request.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts³. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to you as our client. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to you. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

³ For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest.

- B. If our firm or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that our firm or a related person recommends to clients, we are required to describe our practice and discuss the conflicts of interest this presents and generally how we address the conflicts that arise in connection with personal trading.

See Item 11A of this Brochure.

- C. If our firm or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for our firm's (or the related person's own) account, we are required to describe our practice and discuss the conflicts of interest it presents. We are also required to describe generally how we address conflicts that arise.

See Item 11A of this Brochure. Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request.

- D. If our firm or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for our firm's (or the related person's own) account, we are required to describe our practice and discuss the conflicts of interest it presents. We are also required to describe generally how we address conflicts that arise.

See Item 11A of this brochure. Related persons of our firm may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics, a copy of which is available upon request. Further, our related persons will refrain from buying or selling the same securities within 48 hours of buying or selling for our clients. If related persons' accounts are included in a block trade, our related persons will always trade personal accounts last.

ITEM 12: BROKERAGE PRACTICES

A. Description of the factors that we consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

1. Research and Other Soft Dollar Benefits. If we receive non soft-dollar research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions ("soft dollar benefits"), we are required to disclose our practices and discuss the conflicts of interest they create. Please note that we must disclose all soft dollar benefits we receive, including, in the case of research, both proprietary research (created or developed by the broker-dealer) and research created or developed by a third party.

Our firm has an arrangement with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"). Under the arrangement with Schwab, we receive services which include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support our firm in conducting business and in serving the best interests of our clients but that may benefit our firm.

- a. Explanation of when we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, and how we receive a benefit because our firm does not have to produce or pay for the research, products or services.

As part of the arrangement described in Item 12A(1), Schwab also makes certain research and brokerage services available at no additional cost to our firm. These services include certain research and brokerage services, including research services obtained by Schwab directly from independent research companies, as selected by our firm (within specific parameters). Research products and services provided by Schwab to our firm may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by Schwab to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services are used by our firm to manage accounts for which we have investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

- b. Incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving best execution.

As a result of receiving the services discussed in 12A(1)(a) of this Firm Brochure, for no additional cost we may have an incentive to continue to use or expand the use of Schwab's services. Our firm examined this potential conflict of interest when we chose to enter into the relationship with Schwab. We have determined that this relationship is in the best interest of our firm's clients and satisfies our client obligations, including our duty to seek best execution.

Schwab charges brokerage commissions and transaction fees for effecting securities transactions for certain no-load mutual funds. Commissions are charged for individual equity and debt securities transactions. Schwab also enables us to obtain many no-load mutual funds without transaction charges; other no-load mutual funds (including many lower-cost, no-load institutional share classes of funds that would otherwise have a load) are available at nominal transaction charges. Schwab's commission rates are generally discounted from customary retail commission rates; however, the commission and transaction fees charged by Schwab may be higher or lower than those charged by other custodians and broker-dealers.

- c. Causing clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up).

You may pay a commission to Schwab that is higher than another qualified broker dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates and responsiveness. Accordingly, although we will seek competitive rates, for your benefit and that of all our clients, we may not necessarily obtain the lowest possible commission rates for a specific client account transaction.

- d. Disclosure of whether we use soft dollar benefits to service all of our clients' accounts or only those that paid for the benefits, as well as whether we seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Although the investment research products and services that may be obtained by our firm will generally be used to serve all our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

- e. Description of the types of products and services our firm or any of our related persons acquired with client brokerage commissions (or markups or markdowns) within our last fiscal year.

We are required to specifically describe the types of products or services that we are acquiring and to permit you to evaluate possible conflicts of interest. Our description must be more detailed for products or services that do not qualify for the safe harbor in Section 28(e) of the Securities Exchange Act of 1934, such as those services that do not aid in investment decision-making or trade execution. Merely disclosing that we obtain various research reports and products is not specific enough.

In addition to the benefits described in Item 12A(1) above, Schwab also makes certain products and services available to us that help manage and administer your accounts. These include software and other technology and related training that provide access to your account data (e.g., trade confirmations and account statements), facilitate trade execution, allocation of aggregated trade orders for multiple client accounts, provide research, pricing information and other market data, facilitate payment of our fees from clients' accounts and assist with back-office training, support functions, recordkeeping and client reporting. Many of these services generally may be used to serve all or some substantial number of our clients, including accounts not maintained at Schwab. While, as a fiduciary, our firm endeavors to act in our clients' best interests, our recommendation or request you maintain your assets in accounts at Schwab may be based in part on the benefit to our firm of the availability of some of the foregoing products, services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab. This may create a conflict of interest.

As a result of receiving such non soft-dollar products and services for no cost, we may have an incentive to continue to place client trades through broker-dealers that offer the aforementioned services and products. This interest conflicts with the clients' interest of obtaining the lowest commission rate available. Therefore, we must determine in good faith, based on the best execution policy stated above, that such commissions are reasonable in relation to the value of the services provided by such executing broker-dealers.

- f. Explanation of the procedures we used during our last fiscal year to direct client transactions to a particular broker-dealer in return for soft dollar benefits we received.

We do not have any soft-dollar relationships.

- 2) Brokerage for Client Referrals. If we use client brokerage to compensate or otherwise reward brokers for client referrals, we must disclose this practice, the conflicts of interest it creates, and any procedures we used to direct client brokerage to referring brokers during the last fiscal year (i.e., the system of controls used by us when allocating brokerage)

Our firm does not receive brokerage for client referrals.

- 3) Directed Brokerage.

- a. If we routinely recommend, request or require that a client directs us to execute transactions through a specified broker-dealer, we are required to describe our practice or policy. Further, we must explain that not all advisers require their clients to direct brokerage. If our firm and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, we are further required to describe the relationship and discuss the conflicts of interest it presents by explaining that through the direction of brokerage we may be unable to achieve best execution of client transactions, and that this practice may cost our clients more money.

In certain instances, clients may seek to limit or restrict our discretionary authority to determine brokers with whom we place orders for the purchase or sale of securities for execution and the commission rates at which such securities transactions are effected. Clients may seek to limit our authority in this area by directing that transactions (or a specified percentage of transactions) be executed through specified brokers in return for portfolio evaluation or other services deemed by the client to be of value. Any such client direction must be in writing (often through our advisory agreement) and may contain a representation from the client that the arrangement is permissible under its governing laws and documents, if this is relevant.

We provide appropriate disclosure in writing to clients who direct trades to particular brokers that, with respect to their directed trades, they will be treated as if they have retained the investment discretion that we otherwise would have in selecting brokers to effect transactions and in negotiating commissions and that such direction may adversely affect our ability to obtain best price and execution. In addition, we will inform such clients in writing that their trade orders may not be aggregated with other clients' orders and that their direction of brokerage may hinder best execution.

Special Considerations for ERISA Clients

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, we will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of their plan.

- b. If we permit a client to direct brokerage, we are required to describe our practice. If applicable, we must also explain that we may be unable to achieve best execution of your transactions. Directed brokerage may cost clients more money. For example, in a directed brokerage account, you may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or you may receive less favorable prices on transactions.

See Item 12A(3) of this Brochure.

- B. Discussion of whether, and under what conditions, we aggregate the purchase or sale of securities for various client accounts in quantities sufficient to obtain reduced transaction costs (known as bunching). If we do not bunch orders when we have the opportunity to do so, we are required to explain our practice and describe the costs to clients of not bunching.

We perform investment management services for various clients. There are occasions on which portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Although such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more particular clients, they are affected only when we believe that to do so will be in the best interest of the effected clients. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, we attempt to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation. These aggregation policies do not apply to the purchase or sale of mutual fund shares as all transactions in such securities on any given business day occur at the same price per share.

ITEM 13: REVIEW OF PORTFOLIOS OR FINANCIAL PLANS

- A. Review of client accounts or financial plans, along with a description of the frequency and nature of our review, and the titles of our employees who conduct the review.

We review investment portfolios at least six (6) times in any given twelve (12) month period for our Ongoing Comprehensive Wealth Management and our Investment Portfolio Management clients. In so doing, we determine whether your portfolio is in line with your investment objectives, investment policies, withdrawal needs, income tax situation and appropriately positioned based on market conditions. Only our Financial Advisors will conduct such reviews.

Our Financial Planning clients do not receive reviews of their written plans unless they continue their advisory relationship with us by becoming Ongoing Comprehensive Wealth Management clients. We do not provide ongoing services to our Financial Planning Clients.

- B. Review of client accounts on other than a periodic basis, along with a description of the factors that trigger a review.

We may review client portfolios more frequently than described above. Among the factors which may trigger an additional review the client's life are significant or transitional events in a client's life, major financial market or economic events or a request by the client.

- C. Description of the content and indication of the frequency of written or verbal regular reports we provide to clients regarding their accounts.

We provide quarterly reports to our Ongoing Comprehensive Wealth Management and Investment Portfolio Management clients. These reports, either written or electronic, summarize the portfolio's activity and detail its overall allocation, holdings and performance over multiple time periods. They also include our proprietary commentary and outlook on the state of the financial markets and the global economy. Verbal reports are provided when we meet with clients, who also have access to reporting on their portfolios through our password-protected website.

As mentioned in Item 13A above, our Financial Planning Clients do not receive written or verbal updated reports regarding their financial plans unless they continue their advisory relationship with us by becoming Ongoing Comprehensive Wealth Management clients.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

- A. If someone who is not a client provides an economic benefit to our firm for providing investment advice or other advisory services to our clients, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.

We generally utilize discretion and most often work through Charles Schwab & Co. Inc.'s Institutional Division and/or National Advisors Trust Company, FSB, as the custodian of our clients' assets. We may have the authority under the terms of each client's Investment Policy Statement to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of the securities to be bought or sold, the broker-dealer to be used, and the commission rates to be paid.

We may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), registered broker-dealers, Members SIPC, to maintain custody of their assets and to effect trades for their accounts. Cornerstone Wealth Advisors, Inc. is independently owned and operated and not affiliated with Schwab. We may also recommend that clients establish accounts with firms other than Schwab.

Schwab may provide us access to institutional trading and custody services which are typically not available to Schwab retail investors. These services generally are available at no charge to independent investment advisors on an unsolicited basis so long as a total of at least \$10 million of the advisor's client assets are maintained in accounts at Schwab Institutional; neither are they otherwise contingent upon us committing to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or require a significantly higher minimum initial investment. For our client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions and transaction-related or asset based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to us other products and services that benefit us but may not directly benefit our clients' accounts. Some of these products and services assist us in managing and administering client portfolios. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitates trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of our advisory fees from our clients' accounts and assist with back-office functions, recordkeeping and reporting to clients.

Many of these services generally may be used to serve all or a substantial number of our clients, including accounts not maintained at Schwab Institutional. From time-to-time we may make an error in submitting a trade order on a client's behalf.

When this occurs, we may place a correcting trade with the broker-dealer which has custody of the client's account. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should have received the gain, it is not permissible for the client to retain the gain, or we confer with the client and the client decides to forego the gain (e.g., for tax reasons). If the gain does not remain in the client's account and Charles Schwab & Co. Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, we will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in the client's account) if it is less than \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in the client's account, they may be netted together.

We participate in Charles Schwab and Co.'s Schwab Institutional (SI) program. While there is no direct linkage between the investment advice given and participation in the SI program, economic benefits are received which would not be received if we did not give investment advice to clients. These benefits include receipt of client confirmations, electronic duplicate statements, access to a trading desk serving SI participants exclusively, access to block trading which provides the ability to aggregate securities and then allocate them to client accounts, the ability to deduct investment advisory fees directly from client accounts, access, for a fee, to electronic communications network for order entry and account information, receipt of compliance publications, access to mutual funds which generally require significantly higher minimums or are generally available only to institutional investors and access to mutual funds which generally carry a front-end sales charge on a no-load basis.

The benefits received through participation in the SI program do not depend on the amount of transactions directed to Charles Schwab and Co., Inc. Product sponsors and vendors will at times offer to pay – in whole or in part – for associated persons of the firm to attend educational conferences in other cities. We do not accept such offers. We maintain a minority ownership interest in a savings and loan holding company, National Advisors Holdings, Inc. ("NAH") that has formed a federally chartered trust company, "National Advisors Trust Company" ("NATC"). NAH and NATC are regulated by the Office of Thrift Supervision. The trust company intends to provide a low cost alternative to traditional trust service providers, and we intend to refer clients to NATC for trust and custodial services.

- B. If our firm or a related person directly or indirectly compensates any person who is not our employee for client referrals, we are required to describe the arrangement and the compensation.

We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940.

ITEM 15: CUSTODY

If we have custody of client funds or securities and a qualified custodian as defined in SEC rule 206(4)-2 or similar state rules (for example, a broker-dealer or bank) does not send account statements with respect to those funds or securities directly to our clients, we must disclose that we have custody and explain the risks that you will face because of this.

All of our clients receive at least quarterly account statements directly from their custodians. Upon opening an account with a qualified custodian on a client's behalf, we promptly notify the client in writing of the qualified custodian's contact information. When we send our quarterly portfolio statements to clients, they include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm.

ITEM 16: INVESTMENT DISCRETION

If we accept discretionary authority to manage securities accounts on behalf of clients, we are required to disclose this fact and describe any limitations our clients may place on our authority. The following procedures are followed before we assume this authority:

We manage investment portfolios for our Ongoing Comprehensive Wealth Management and our Investment Portfolio Management clients under the terms of an Investment Policy Statement which they sign as a part of these services. The Investment Policy Statement gives us discretion within its terms unless such discretion is expressly withheld, in whole or in part, as one of its provisions. We do not take or exercise discretion with any other clients.

ITEM 17: VOTING CLIENT SECURITIES

If we accept proxy authority to vote client securities, we must briefly describe our voting policies and procedures, including those adopted pursuant to SEC Rule 206(4)-6.

We do not and will not accept the proxy authority to vote client securities. You will receive proxies or other solicitations directly from your custodian or a transfer agent.

In the event that proxies are sent to us, we will forward them on to you and ask the sending party to mail them directly to you in the future. You are welcome to contact us to discuss questions you may have about particular proxy votes or other solicitations.

However, any third party money managers selected or recommended by our firm may vote proxies for clients. Except in this instance, you maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities that you beneficially own shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to your investment assets. Therefore (except for proxies that may be voted by a third party money manager), our firm and/or you shall instruct your qualified custodian to forward to you copies of all proxies and shareholder communications relating to your investment assets.

ITEM 18: FINANCIAL INFORMATION

- A. If we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we must include a balance sheet for our most recent fiscal year.

We do not require nor do we solicit prepayment of more than \$1,200 in fees for any individual client, six months or more in advance. Accordingly, we have not included a balance sheet for our most recent fiscal year.

- B. If we are an SEC-registered adviser and have discretionary authority or custody of client funds or securities, or we require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, we must disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

As this situation does not apply to us, we have nothing to disclose in its regard.

- C. If we have been the subject of a bankruptcy petition at any time during the past ten years, we must disclose this fact, the date the petition was first brought, and the current status.

As this situation does not apply to us, we have nothing to disclose in its regard.