

Client Brochure

Nov 12, 2010

This brochure provides information about the qualifications and business practices of Cornerstone Investment Services, LLC. If you have any questions about the contents of this brochure, please contact us at (401) 453-5550 or by email at: johnr@cornerstoneri.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 Investment Services, LLC is also available on the SEC's website at www.adviserinfo.sec.gov. Cornerstone Investment Services, LLC's CRD number is: 129164

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Registration does not imply a certain level of skill or training.
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Item 2: Material Changes

There are no material changes in this brochure from Cornerstone Investment Services, LLC's last annual update. Material changes relate to Cornerstone Investment Services, LLC's policies, practices or conflicts of interests only.



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Item 4: Advisory Business

A. Description of the Advisory Firm

This firm has been in business since June 1999, and the principal owner is John J. Riley.

B. Types of Advisory Services

Cornerstone Investment Services, LLC (hereinafter "CIS") offers the following services to advisory clients:

Investment Supervisory Services

CIS offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. CIS offers 4 Portfolio Allocation Choices (PAC) each with an income option. The PAC's are as follows:

- Aggressive
- Conservative
- Moderate
- Extreme

There is an income version of each. CIS recommends a PAC based on a client's risk tolerance and reward objectives. The CIS Investment Strategy Plan is signed by all clients and is the Investment Policy Statement.

Investment Supervisory Services include, but are not limited to, the following:

- | | |
|-----------------------|--------------------------------|
| • Investment strategy | • Personal investment policy |
| • Asset allocation | • Asset selection |
| • Risk tolerance | • Regular portfolio monitoring |

CIS's investment strategy is based on long term cycles, asset allocation and managing risk. CIS does not chase performance; instead they primarily concentrate on managing risk. CIS believes that if you have the proper asset allocation based on long term economic and market cycles, and manage risk through inversely correlated assets (assets whose movements and performance are not directly related to one another, and can be opposite of each other) along with other methods, long term investment performance should naturally follow. This does not translate into any kind of a guarantee of short term performance or that we will be able to achieve any specific rate of return or even our stated goals. CIS will also evaluate the current investments of each client with respect to their risk tolerance levels and time horizon. CIS will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction.

Financial Planning

Financial plans and financial planning may include, but are not limited to: a written report including an income review and balance sheet, investment planning, life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. These services are based on fixed fees and hourly fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

Services Limited to Specific Types of Investments

CIS does not limit its investment advice and/or money management to specific types of investments or securities. CIS may use multiple securities to help diversify a portfolio when applicable.

C. Client Tailored Services and Client Imposed Restrictions

CIS offers the same suite of services to all of its clients. CIS will also evaluate the current investments of each client with respect to their risk tolerance levels and time horizon and proceed accordingly. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent CIS from properly servicing the client account, or if the restrictions would require CIS to deviate from its standard suite of services, CIS reserves the right to end the relationship.

D. Wrap Fee Programs

CIS will sponsor a wrap fee program for clients and representatives of Cantella & Co. which is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. CIS does manage the investments in the wrap fee program. CIS does not manage those wrap fee accounts any differently than non-wrap fee accounts. A portion of the fees paid to the wrap account program will be given to CIS as a management fee.

CIS is a Money Management choice in the Lockwood Advisors program. Investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. CIS does manage the investments in the wrap fee program. CIS does not manage those wrap fee accounts any differently than non-wrap fee accounts, except that CIS will not utilize open end funds for Lockwood clients. A portion of the fees paid to the wrap account program will be given to CIS as a management fee.

E. Amounts Under Management

CIS has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$74,379,000.00	\$27,796,000.00	11/07/2010

Item 5: Fees and Compensation

A. Fee Schedule

Investment Supervisory Services Fees

Total Assets Under Management	Annual Fee
\$0 - \$249,999	2.00%
\$250,000 - \$499,999	1.75%
\$500,000 - \$749,999	1.50%
\$750,000 - \$999,999	1.25%
First \$1,000,000	1.10%
Next \$1,000,000	1.00%

These fees are negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Fees are paid monthly in arrears, and clients may terminate their contracts with thirty days' written notice. Because fees are charged in arrears, no refund policy is necessary. Clients may terminate their accounts without penalty within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

Financial Planning Fees

Fixed Fees

Depending upon the complexity of the situation and the needs of the client, the rate for creating client financial plans is between \$500 and \$5,000. Fees are paid in arrears upon completion. Because fees are charged in arrears, no refund is necessary. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

Hourly Fees

Depending upon the complexity of the situation and the needs of the client, the hourly fee for these services is between \$125 and \$200. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Fees are paid in arrears upon completion. Because fees are charged in arrears, no refund is necessary. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

B. Payment of Fees

Payment of Investment Supervisory Fees

Advisory fees are invoiced and billed directly to the client monthly in arrears. Clients may not select the method in which they are billed.

Payment of Financial Planning Fees

Hourly Financial Planning fees are paid via check or credit card in arrears upon completion. Because fees are charged in arrears, no refund is necessary.

Fixed Financial Planning fees are paid via check or credit card. Fees are paid in arrears upon completion. Because fees are charged in arrears, no refund is necessary.

Payment of Selection of Other Advisors Fees

Selection of Other Advisors Fees is paid via check or credit card. Fees are paid in advance, but never more than six months in advance. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

C. Clients Are Responsible For Third Party Fees

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fee etc.). Those fees are separate and distinct from the fees and expenses charged by CIS. Please see Item 12 of this brochure regarding broker/custodian.

D. Prepayment of Fees

Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Fees will be returned within fourteen days to the client via check or return to credit card.

E. Outside Compensation For the Sale of Securities to Clients

As a registered representative of a broker/dealer, some of the representatives of CIS may accept commissions and trails. From time to time they receive trails on funds used in managed accounts. The client doesn't pay a fee but may pay a trail. CIS tries to avoid these fees; however in some cases they are unavoidable.

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

CIS does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7: Types of Clients

CIS generally provides investment advice to the following Types of Clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans

Minimum Account Size

There is an account minimum, \$250,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

A. Methods of Analysis and Investment Strategies

CIS's methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical analysis.

Charting analysis involves the use of patterns in demonstrative charts. CIS uses this charting technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

Fundamental analysis involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

Technical analysis involves the analysis of past market data; primarily price and volume.

Cyclical analysis involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

B. Material Risks Involved

CIS focuses directly on risk management. The principal risk can be either long term or short term. Long term involves the fundamentals of an investment. Short term is more concerned with the volatility of an investment. Too often, a fundamentally risky investment is bought by investors because its' volatility was low. Some perceive it to be low risk when in fact it was on the downside of its' long term cycle.

CIS's asset allocation is the first line of defense in managing risk. By concentrating on investment classes with strong long term fundamentals, CIS should theoretically be utilizing those investment classes that are near a low in a cycle, about to reverse trend or in a positive long term trend. This means their long term risks should be low, but they may have high volatility, so their short term risks may be high.

There are several ways to manage the risks of high volatility investments. One way is to construct a portfolio with inversely correlated investments. The volatility of one investment offsets the volatility of another. So while CIS hasn't reduced the volatility of any investment itself, the overall portfolio volatility is reduced. Another way to manage the risks of high volatility investments is to marry them with hedges that are specifically designed to work in an opposite direction. Another way to manage the risk of certain investments is to diversify a client's holdings across different fund families can take advantage of each family's comparative advantages in categories such as international equities, bonds, or REITs. This strategy does reduce or eliminate the client's eligibility for certain up front charge (if applicable) break points.

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

C. Risks of Specific Securities Utilized

CIS generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

Item 9: Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

A. Registration as a Broker/Dealer or Broker/Dealer Representative

John J. Riley is a registered representative of Cantella & Co., Inc.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither CIS nor its representatives are registered as a FCM, CPO, or CTA.

C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests

John J. Riley is a registered representative of Cantella & Co., Inc. From time to time, he will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. CIS always acts in the best interest of the client; including the sale of commissionable products to advisory clients.

Ray Jeffs, a representative of CIS, is an accountant. From time to time, he will offer clients advice or products from those activities. CIS always acts in the best interest of the client.

D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections

CIS does not recommend other money managers.

Item 11: Code of Ethics, Participation in Transactions, Personal Trading

A. Code of Ethics

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting

Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

B. Recommendations Involving Material Financial Interests

CIS does not buy from or sell securities to any of its clients. CIS does not act as a general partner in any partnership in which clients are solicited to invest. CIS does not act as an investment advisor to an investment company that it recommends to its clients.

C. Investing Personal Money in the Same Securities as Clients

From time to time, representatives of CIS may buy or sell securities for themselves that they also recommend to clients. CIS will always document any transactions that could be construed as conflicts.

D. Trading Securities At/Around the Same Time as Clients' Securities

CIS does not utilize a blackout policy; because of CIS's constant review of accounts, there is no set buy and sell period for certain securities, (unless being done in a block trade). Therefore employees are lumped in with clients when accounts are being reviewed individually and traded as such. CIS strives to not give employees an advantage, but alternatively their association with CIS should not be a disadvantage either. Acting in the clients' best interest will always be the primary concern.

Item 12: Brokerage Practices

A. Factors Used to Select Custodians and/or Broker/Dealers

The Custodian was chosen based on their relatively low transaction fees and access to mutual funds and ETFs. CIS's ticket charges may be slightly more than the actual cost. Custodian charges paid by the client are billed as commissions and the broker/dealer takes 10% of the fee. To balance this transaction, CIS charges slightly more than the actual cost, therefore CIS nets the cost of the mutual fund trades.

OTC stocks are charged similarly to mutual funds, with a slightly higher than actual cost transaction fee charged to clients so that CIS nets out the actual cost. Exchange stocks are different though and have a fixed ticket charge and a one cent per share charge. On these trades, CIS does not calculate the actual cost and then market it up 10% to cover the broker/dealer. CIS charges clients a fixed ticket charge that is sometimes higher and sometimes lower than the actual cost.

CIS charges the ticket charges to counter a possible conflict of interest. By not assuming the cost of the ticket charges, CIS is not subject to a potential conflict of interest since the ticket charges being paid by the client have little to no impact on CIS earnings.

1. Research and Other Soft-Dollar Benefits

CIS may receive research from the broker/dealer; however there is no incentive to for CIS to direct clients to this particular broker-dealer over other broker-dealers who offer the same services. The first consideration when recommending broker/dealers to clients is best execution.

2. Brokerage for Client Referrals

CIS receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

3. Clients Directing Which Broker/Dealer/Custodian to Use

In certain cases, CIS's clients may select their own custodian. The use of other broker/dealers would incur some additional costs of bringing the assets into the custodian; consequently a lower cost broker/dealer may or may not lower the overall costs.

B. Aggregating (Block) Trading for Multiple Client Accounts

CIS maintains the ability to block trades purchases across accounts and will do so as often as possible. Block trading may benefit clients buy purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

Item 13: Reviews of Accounts

A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews

Client accounts are reviewed at least quarterly by John J. Riley, Managing Member. John J. Riley is the chief advisor and is instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at IA are assigned to this reviewer.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

C. Content and Frequency of Regular Reports Provided to Clients

Each client will receive a quarterly report from the custodian which is their statement of record and a quarterly performance report from CIS

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)

CIS does not receive any economic benefit, directly or indirectly from any third party for advice rendered to CIS clients.

B. Compensation to Non -Advisory Personnel for Client Referrals

CIS reserves the right to pay finder's fees in compliance with the Sec rules.

Item 15: Custody

CIS does not take custody of client accounts at any time. Clients will receive account statements from the custodian and should carefully review those statements.

Item 16: Investment Discretion

For those client accounts where CIS provides ongoing money management or investment advice with ongoing supervision, CIS maintains limited power of authority over client accounts with respect to securities to be bought and sold and amount of securities to be bought and sold. All buying and selling of securities is explained to clients in detail before an advisory relationship has commenced.

Item 17: Voting Client Securities (Proxy Voting)

CIS will accept voting authority for client securities in certain cases. When CIS does accept voting authority for client securities, it will always seek to vote in the best interests of its clients. CIS does not maintain preapproved voting guidelines but relies on the investment committee to determine the appropriate course of action in voting client securities that is in the best interest of the client.

Clients may direct CIS on how to vote client securities by communicating their wishes in writing or electronically to CIS. When voting client proxies the investment committee will always hold the interests of the clients above its own interests. Clients of CIS may obtain the voting record of CIS on client securities by contacting CIS at phone number or e-mail address listed on the cover page of this brochure. Clients may obtain a copy of CIS's proxy voting policies and procedures upon request.

Item 18: Financial Information

A. Balance Sheet

CIS does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

CIS nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

C. Bankruptcy Petitions in Previous Ten Years

CIS nor its management have been the subject of a bankruptcy petition in the last ten years.