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FORM ADV PART 2A BROCHURE

This brochure provides information about the qualifications and business practices of Cornerstone Capital Inc. If you have any questions about the contents of this brochure, please contact us at (212) 874-7400 and/or info@cornerstonecapinc.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 Inc. is available on the SEC's website at www.adviserinfo.sec.gov. Cornerstone Capital Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 Material Changes

This brochure is an annual updating amendment to, and reflects the following material changes since, Cornerstone Capital Inc.'s brochure dated March 28, 2016. The material changes are summarized below.

- A description of additional written research products (Item 4)
- Fees associated with different levels of access to research products and services (Item 5)
- The association of certain of our principals and employees with an independent registered broker dealer (Item 10)
- Inclusion of our 2015 balance sheet (Item 18)
- A description of our Investment Management Services and the investment strategies and risks related thereto (Item 4 and Item 8).
- The fees associated with the Investment Management Services (Item 5).
- The conflicts associated with the provision of Research Services to Underlying Managers (Item 10).
- The procedures for trade allocations (Item 12).
- The procedures for reviewing client accounts that receive Investment Management Services (Item 13).
- A description of our custody of client assets that receive Investment Management Services (Item 15).
- A description of our proxy voting procedures with respect to client accounts that receive Investment Management Services (Item 17).
- Inclusion of our 2014 balance sheet (Item 18).

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Item 4 Advisory Business

Description

Cornerstone Capital Inc. is a registered investment adviser based in New York, NY.

We are organized as a corporation under the laws of the State of Delaware. In addition to the Investment Management Services and the Research Services we provide that are described herein, we have been providing consulting and other non-investment advisory services since August 2013. Erika Michele Karp is the principal and majority owner of Cornerstone Capital Inc.

Cornerstone Capital Inc.'s investment strategy seeks to systematically incorporate and articulate sustainability into the investment advisory services it offers. To implement our strategy, we seek to utilize environmental, social and governmental ("ESG") standards to measure an issuer's or an Underlying Manager's adherence to, or adoption of, sustainability.

Currently, we offer the following investment advisory services:

- Investment management services (the "Investment Management Services"), which are personalized to each individual client and which include (i) direct investment management services, (ii) selection of approved third party investment managers (the "Underlying Managers") to manage all or a portion of client's portfolio (consistent with our sustainability investment strategy) and (iii) Additional Services (as described below); and
- Research services (the "Research Services"), which include (i) publication of a subscription newsletter titled Journal of Sustainable Finance & Banking (the "Journal") and other written research products, (ii) providing advice related to the content of the Journal via personal consultation with analysts and (iii) conducting seminars and speaking engagements at which we provide investment advice on various topics.

We also offer the Investment Management Services pursuant to a wrap fee program known as the Cornerstone Portfolio Solutions wrap fee program (the "Wrap Fee Program"). The Wrap Fee Program is described in a separate Wrap Fee Program Brochure that can be located at the SEC's website at www.adviserinfo.sec.gov or from us upon request.

Cornerstone Capital Inc. offers the Investment Management Services and/or the Research Services using the name Cornerstone Capital Inc. d/b/a Cornerstone Capital Group ("Cornerstone Capital Group"). Cornerstone Capital Group also offers consulting and other non-investment advisory services. Cornerstone Capital Inc. provides the Investment Management Services using the names Cornerstone Capital Inc. d/b/a Cornerstone Capital Investment Management and Cornerstone Capital Inc. d/b/a Cornerstone Capital Group Investment Management (collectively, "Cornerstone Capital Investment Management").

As used in this brochure, the words "we", "our" and "us" refer to Cornerstone Capital Inc., Cornerstone Capital Group or Cornerstone Capital Investment Management, or a group or division of any of the foregoing, as applicable, and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm.

Investment Management Services

We offer discretionary and non-discretionary Investment Management Services. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for Investment Management Services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information at the beginning of our advisory relationship. We will use the information we gather to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. As part of our Investment Management Services, we will invest your assets according to an investment portfolio specifically tailored for you. Once we construct an investment portfolio for a client, we will monitor the client's portfolio's performance on an ongoing basis, and, with respect to a client that receives discretionary Investment Management Services, will rebalance such client's portfolio as required by changes in market conditions and in such client's financial circumstances.

The investment portfolios recommended by our portfolio management team may consist of mutual funds, exchange traded funds ("ETFs") and/or allocations to Underlying Managers to manage all, or a portion of, your investment portfolio. In addition, we may provide investment advice regarding individual stocks, bonds, and other securities, financial instruments, interests and/or any other property (collectively, "Securities"). You may request that we refrain from recommending a particular Underlying Manager, ETF or mutual fund or certain types of Securities. You must provide these restrictions to our firm in writing.

If you participate in our discretionary Investment Management Services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow us to, among other things, execute transactions on behalf of your account, allocate or withdraw the assets in your account to or from Underlying Managers, and rebalance your portfolio among mutual funds, ETFs, Securities and Underlying Managers without your approval prior to each transaction. Discretionary authority is typically granted by the Cornerstone Capital Investment Management Client Agreement (the "Client Agreement") you sign with our firm and the appropriate trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account and allocating, rebalancing and/or withdrawing account assets to or from any Underlying Managers. Regardless of whether you hire us on a discretionary or nondiscretionary basis, any Underlying Manager(s) hired for your account will actively manage your portfolio and will assume discretionary investment authority over your account either as a separately managed account and/or by you placing your assets in private investment funds or other investment vehicles managed on a discretionary basis by such Underlying Manager(s).

If your account is invested with Underlying Managers, you should review the Underlying Manager's brochure, if applicable, for specific information on the Underlying Manager.

We may provide certain additional services to our Investment Management Service clients, including, but not limited to: (i) financial planning advice; (ii) development of a financial summary; (iii) development of a financial management strategy; (iii) consulting services relating to financial reporting; and/or (iv) access to our research products (the "Additional Services"). The provision of any Additional Services will be agreed on an individual basis with each client.

Research Services

Through our Research Services we discuss and present thematic macro research, often with a focus on topics related to sustainability and relevant ESG factors. While we may reference individual companies in such reports, we generally do not analyze individual companies or Securities as investment opportunities and our reports are not intended to constitute an investment recommendation.

As part of our Research Services we offer, via a paid annual subscription, access to the Journal and other publications such as our Flash Commentary, Focus Reports and Flagship Reports. In addition, clients that subscribe to the Journal may, for a premium fee, receive personal advice regarding research analysis related to the Journal via personal conference calls with our research analysts. As part of our Research Services, we may conduct, and charge a fee to attend, seminars, events, workshops and speaking engagements where we address sustainability and relevant ESG factors. .

We do not make any investment decisions for our research clients. While we provide information based on the research conducted and presented to the client, the client makes its own investment decision based on factors it, in its sole discretion, deems relevant. Our Investment Review Committee (“IRC”), consisting of Erika Karp (CEO), John Wilson (Head of Corporate Governance, Engagement and Research), David Dusenbury (Managing Director, Corporate Strategy) and Michael Geraghty (Global Market Strategist), review and approve research topics.

The IRC meets both on a weekly and an as-needed basis to review and vet research and ideas presented in the Journal and other published reports. The mission of the IRC is to further our ability to offer well analyzed, well-articulated, independent review of our research offerings including our positions on global market strategy, global sector strategy, quantitative analysis, allocation recommendations among risk asset classes, and global thematic research. Topics for discussion in these meetings include, but are not limited to, market and sector valuations (current, historic and relative), economic and geopolitical outlooks, structural and competitive dynamics across industries and companies, industry trends around environmental, social and governance measures and metrics, financial analyses of trends in earnings, margins, cash flows, capital expenditures, taxation issues, and other applicable risk factors.

Assets Under Management

As of December 31, 2015, we had approximately \$74,974,689 of assets under management on a discretionary basis and \$694,920,956 of assets under management on a non-discretionary basis.

Item 5 Fees and Compensation

Investment Management Services

The fees we charge for our Investment Management Services are based on a percentage of your assets we manage and are negotiable depending on individual client circumstances. The fees charged to your account for the Investment Management Services may be up to 150 basis points (i.e., 1.5%) of total assets under management. There may be an additional charge for any Additional Services we may provide. Any such additional fees will be negotiated on an individual basis. In no event will the aggregate fees for Investment Management Services and Additional Services exceed 300 basis points (i.e., 3.0%) per annum of total assets under management.

The foregoing fees are billed and payable quarterly in advance based on the net asset value of your account on the last day of the previous quarter. If the Client Agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis based on the net asset value of your account at the time you execute the Client Agreement, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Such Fees shall be payable by check or wire transfer to the account designated by us.

You may terminate the Client Agreement upon 30 days' written notice to our firm. You will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

Our fees are exclusive of any fees charged by Underlying Managers or mutual fund or ETF managers to whom we may allocate client assets. Fees charged with respect to assets allocated to Underlying Managers are set forth in the separate account agreement with the Underlying Managers or fund offering documents, as applicable. Fees charged with respect to an investment in a mutual fund or ETF are set forth in such mutual fund's or ETF's prospectus. These fees will generally include a management fee and other fund expenses. We do not share in any portion of the fees charged by Underlying Managers, mutual funds or ETFs. However, the mutual funds and ETFs may share some of these fees with custodians that we use for your account. Consequently, in addition to the brokerage and custodial fees that you pay to custodians, the brokers and custodians we use for your accounts may receive additional indirect fees from you based on your investments in mutual funds and ETFs. To fully understand the total cost you will incur, you should review all fees charged by Underlying Managers, mutual funds, ETFs and our firm.

In addition, our fees do not include brokerage and transaction fees, costs and charges, and other related costs and expenses that will be incurred by you regarding the trading and maintenance of your account. Clients may incur certain charges imposed by custodians, brokers and other third parties such as commissions, custodial fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to our fees, and we do not receive any portion of these commissions, fees and costs.

Research Services

Subject to certain exceptions, we charge fixed annual subscription fees for different tiers of access to our written research and related services.

- “Basic Access” at \$1,800 per year provides the JSFB (Journal of Sustainable Finance & Banking)
- “Enhanced Access” at \$3,600 per year provides the “Basic Access” plus additional written research including Flash, Focus and Flagship reports
- “Premium Access” at \$6,000 per year provides the “Enhanced Access” plus priority invitations to Cornerstone events, seminars, presentations ~~and analyst consultation~~

The foregoing fixed fees are negotiable with respect to certain clients in our sole discretion and on occasion we may charge additional fees to certain clients based on the amount of personal advice and consultation provided. We do not deduct fees for Research Services directly from client accounts.

We generally do not, although we may, charge fees for clients to attend, seminars, events, workshops and speaking engagements, otherwise not part of or included with subscription terms, at which we provide investment advice. To the extent we charge fees for such services, such fees are negotiable. We also provide seminars, workshops and speaking engagements for our consulting clients for which we charge fees that are negotiable.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client’s account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees for Investment Management Services and Research Services are calculated as described in Item 5 above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Our firm charges separate fees for Investment Management Services and Research Services and these services are rendered by separate personnel. Investment advice rendered as part of the Investment Management Services may not always be consistent with the views expressed through our Research Services. For example, the portfolio management team may recommend an Underlying Manager that concentrates on a sector that is given a negative outlook by the research team. Cornerstone Capital Inc. has procedures designed and implemented to monitor that the portfolio management team is aware of the research team’s views and takes such views into consideration when making portfolio management decisions.

Item 7 Types of Clients

We offer Investment Management Services and/or Research Services to individuals, corporations, partnerships, investment management firms, investment funds, individual retirement accounts, pension plans and other ERISA accounts, trusts, charitable organizations, foundations, endowments and family offices.

In general, we do not require a minimum dollar amount for Research Services or to open and maintain an Investment Management Services account. However, we reserve the right not to accept a research client or an investment management client. We also reserve the right not to provide certain Research Services to an existing research client, for any or no reason, and/or to terminate an existing client's Investment Management Services account if it falls below a minimum size which, in our sole opinion, is too small to effectively manage.

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

Investment Management Services

Our investment process involves the selection of Underlying Managers, and, with respect to the mutual funds and ETFs in which we invest, the due diligence on managers of such mutual funds and ETF's (together with the Underlying Managers, the "Managers"), based on various factors, including, among others, performance, strategies, methods of analysis, fees and a client's financial needs, investment goals, risk tolerance, and investment objectives.

Prospective Managers are identified by members of our Research Services group (the "Research Division") through commercially available databases, direct solicitations by the managers, due diligence and referrals from third parties. The Research Division gathers disclosed information about the Managers (and, if applicable, the mutual funds and ETFs) on commercial databases, as well as additional information as may be delivered to us by the Managers.

In the course of our due diligence on mutual funds, ETFs and Underlying Managers, the Research Division employs both quantitative analysis and qualitative analysis as relevant. Quantitative analysis assesses the prospective Manager's historical performance, risk levels, and portfolio characteristics. Qualitative analysis is done concerning the prospective Managers' investment experience, continuity of staff, academic qualifications of investment professionals, and adherence to its investment strategies. In addition, members of the Investment Policy Committee ("IPC") (consisting of Phil Kirshman (CIO), Erika Karp (CEO), John Wilson (Head of Corporate Governance, Engagement & Research), Nicola Shelbourne (Treasurer), Michael Geraghty (Global Markets Strategist)) and David Dusenbury (Managing Director, Corporate Strategy) may meet with representatives of prospective Managers. We also review the portfolio fundamentals and underlying holdings from the standpoint of both valuation and sector concentration and review the offering documents of each prospective Manager.

Our due diligence process relies on traditional metrics including performance history of the model over various time frames and considering various measures of risk-adjusted performance. Additionally, we consider the Manager's history, management team, investment process, assets under management, and the Manager's ESG standards integration process. Managers may be recommended based on their individual merits, their correlation (or lack thereof) to other recommended managers, and thematic considerations.

Prior to recommending Underlying Managers, mutual funds or ETFs, the Research Division screens quantitative performance metrics and qualitative due diligence related categories through various third party data providers.. Following the allocation of client assets, Underlying Manager, mutual fund and ETF performance is calculated through the clients' custodian and, in some cases, reported on by our portfolio reporting solutions vendor. We do not conduct separate performance calculations on managers, mutual funds or ETFs.

Custodians and third party data and reporting vendors have their own data checks and process to verify the accuracy of the performance data they provide. We do not conduct additional audits of their data.

An Underlying Manager recommended by the Research Division must be approved by the IPC as an approved Underlying Manager prior to being eligible to be recommended to clients by our portfolio management team. In addition, the Research Division periodically monitors the Underlying Manager to make a determination regarding whether its management and investment style remains aligned with its stated management and investment style. See Item 10 for certain potential conflicts of interest regarding the due diligence, recommendation and approval of Underlying Managers.

Our investment strategies and advice may vary depending upon each client's specific financial situation. For specific clients, we seek to build a portfolio of Managers or solutions that will appropriately diversify their portfolio to achieve the optimal risk-adjusted expected returns to accomplish the goals stated in their investment policy statement. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and various other suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. After gathering information about your financial situation and objectives, the portfolio management team will recommend allocation amounts among the recommended mutual funds, ETFs, Underlying Managers and/or securities, taking into consideration (i) your financial situation and objectives, (ii) the performance, strategy, methods of analysis, investment objectives, portfolio risks and fees of recommended mutual funds', ETFs', and/or Underlying Managers'

Research Services

In formulating research, we look at, among other things: market and sector valuations (current, historic and relative), economic and geopolitical outlooks, structural and competitive dynamics across industries and companies, industry trends around environmental, social and governance measures and metrics, financial analyses of trends in earnings, margins, cash flows, capital

expenditures, taxation issues, and other applicable risk factors. In addition, while the investment processes of all market participants vary, our research efforts focus on enhancing those processes by systematically incorporating ESG factors. These factors are intended to help better align our clients' values with their investments. We believe that there is empirical evidence that this type of fundamental analysis adds value to the investment process over the long term.

Certain Risk Factors

There can be no assurances that a client will achieve its investment objective or that the strategies pursued and methods utilized by us will be successful under all or any market conditions. Past performance is no guarantee of future performance. Investing in financial instruments involves the risk of loss of principal that clients should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

At any point in time the value of ESG factors may be discounted by the securities markets in the aggregate valuation of securities portfolios.

Investment Management Risk Factors

Set forth below is a summary of certain material risks generally applicable to our Investment Management Services. Risk factors for particular Underlying Managers, mutual funds and ETFs may be set forth in the account and/or fund documents of the Underlying Managers, mutual funds and ETFs as well as in the Forms ADV Part 2A of the respective Underlying Managers and respective managers for the mutual funds and ETFs.

Monitoring Managers. Although we will attempt to monitor the overall performance of each Manager, we must ultimately rely on each Manager to operate in accordance with the investment strategy and guidelines laid out by such Manager and the accuracy of the information provided to the account by such Manager. Notwithstanding our monitoring efforts, we may not promptly detect the fact that a Manager is not operating in accordance with its investment strategy or guidelines. Moreover, if the information furnished by a Manager is not accurate and timely, our ability to monitor the Manager will be impaired. Your account may sustain losses with respect to some or all of its investments despite our best efforts to monitor the Manager's performance. The Managers will not coordinate their investment strategies with each other and at times may take positions which conflict with positions taken by other Managers.

Open-end Mutual Fund Trading. The value of an open-end mutual fund may fall more quickly or rise more slowly than the stock or bond markets as a whole. This risk is exacerbated in investments which are concentrated in particular types of securities or particular market sectors. Risk is involved in mutual fund selection as well as in determining entry and exit strategies. Most open-end mutual fund shares can only be traded at the end of each day, potentially increasing losses on days of steep overall market declines. In addition, some funds only permit trading well before the market closes.

Closed-end Mutual Fund Trading. Closed-end mutual funds ("CEFs") are traded on an exchange, and thus the price of a CEF is based in part on market factors, not solely on the net asset value of

the CEF. As such, there is a risk that a CEF's price is less than the net asset value of the CEF's assets. Moreover, CEFs, as an investment sector, could fall out of favor.

Exchange Traded Funds. ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks or bonds, which are designed to generally correspond to the price and yield performance of their underlying indexes, either broad stock market, stock industry sector, international stock or U.S. bond. ETF shareholders are subject to risks similar to those of holders of other diversified portfolios. A primary consideration is that the general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income exchange traded fund, respectively. This is because an equity (or bond) ETF represents an interest in a portfolio of stocks (or bonds). When interest rates rise, bond prices will generally decline, adversely affecting the value of fixed income ETFs. Moreover, the overall depth and liquidity of the secondary market may also fluctuate. An exchange traded sector fund may also be adversely affected by the performance of that specific sector or group of industries on which it is based. International investments may involve risk of capital loss from unfavorable fluctuations in currency values, differences in generally accepted accounting principles, or economic or political instability in other nations. Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their respective underlying indexes, ETFs may not be able to exactly replicate the performance of the indexes because of their expenses and other factors.

Research Risk Factors

A brief summary of certain material risks associated with the Research Services follows.

Our research products generally are focused on macro issues, themes and trends. We generally do not undertake a thorough analysis of specific companies or Securities. Therefore, our research products are not intended to constitute investment recommendations and should not be relied upon as the sole basis for making investment decisions.

Any projections, estimates or other forward-looking statements included in our research products are based upon our subjective views and a variety of assumptions. Our views as to future events may be incorrect and are subject to change due to many factors, including fluctuating market conditions and changes in economic factors. We make no representations as to the reasonableness of any assumptions we may make, or the likelihood that such assumptions will coincide with actual events. Future events and developments could differ materially from those contemplated by our forward looking statements. We do not undertake any responsibility or obligation to revise or update any forward looking statements set forth in our research products.

Item 9 Disciplinary Information

We do not have any disciplinary or legal events to report.

Item 10 Other Financial Industry Activities and Affiliations

Through its provision of consulting and other non-investment advisory services, Cornerstone Capital Group may form business relationships with companies referenced in its research products. We do not believe this creates a conflict since we do not conduct or provide research on specific issuers. However, we may reference or mention a specific issuer as part of our sector-based or thematic research. The IRC will maintain a list of companies with which Cornerstone Capital Group has a material business relationship for the purpose of ensuring that appropriate disclosures are made if any such companies are referenced or mentioned in our research products. In addition, the list will be monitored by the Chief Compliance Officer and the CEO to determine if any such companies should be placed on a restricted list.

The Research Division may provide Research Services to Underlying Managers or their affiliates for which we receive compensation. Receipt of such compensation from Underlying Managers that are our research clients may cause us to have an incentive to recommend or select such Underlying Managers for Investment Management Services or Wrap Fee Program clients. The Research Division may conduct due diligence and make recommendations regarding the use of certain Underlying Managers. In conducting due diligence of Underlying Managers, the Research Division may have an incentive to recommend Underlying Managers that purchase research from our firm or that are investors in our firm. Research Staff who are primarily responsible for Manager Due Diligence do not have knowledge of which Asset Managers may be compensating Cornerstone for Research services and they themselves are not members of the IPC. The IPC is charged with approving Underlying Managers for our platform for use by the portfolio management team in the Investment Management Services or the Wrap Fee Program. Certain members of the IPC know which Underlying Managers have purchased research from our Research Division or are investors in our firm. Consequently, such members of the IPC may have an incentive to approve Underlying Managers to our platform.

These potential conflicts of interest are mitigated due to the fact that the due diligence, recommendation and approval process of Underlying Managers is based primarily on predetermined objective factors and is not based on whether or not an Underlying Manager purchases research from or is an investor in Cornerstone Capital Group. In addition, the Chief Compliance Officer (who is not a member of the IPC, the portfolio management team or the Research Division) reviews the due diligence, recommendation and approval processes of Underlying Managers to monitor that such due diligence, recommendations and approvals are consistent with Cornerstone's fiduciary obligations and are not based on whether or not an Underlying Manager purchases research from us. Furthermore, the portfolio management team making the allocation decisions to the Underlying Managers on a client-by-client basis will not have access to information regarding the compensation we receive with respect to our research services.

Several of our employees, including our Chief Executive Officer, are licensed as associated persons ("Associated Persons") of Strategic Marketing Solutions, Ltd., LLC, a registered broker-dealer based in California ("SMS"). SMS is an independent company which is not controlled by us or our affiliates. If our corporate advisory engagements encompass financing transactions or M&A transactions for our corporate clients, such matters may be referred to SMS for handling, in which event one or more of the Associated Persons would be eligible to receive commissions or

other transaction-based compensation from SMS. Any such arrangements will be monitored by our IPC and Chief Compliance Officer in order to implement the disclosure and restricted list provisions referenced in the first paragraph of this Item 10.

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

Description of Our Code of Ethics

We have adopted a Code of Ethics (the “Code”) which sets forth the ethical and fiduciary principles and related compliance requirements under which we operate and the procedures for implementing those principles. The Code includes provisions that govern our fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, political contributions, outside business activities and confidentiality.

The principals and employees (collectively, “Employees”) of Cornerstone Capital Inc. and their related accounts are permitted to maintain personal securities accounts provided that such accounts are disclosed to Cornerstone Capital Inc. and that any personal trading is consistent with applicable law and with the Code.

Under the Code, Employees may invest in financial instruments for their own account subject to entry and approval in our computerized surveillance and approval system. The Code and system contain policies and procedures that, among other things:

- prohibit Employees from taking personal advantage of opportunities belonging to clients
- prohibit trading on the basis of material nonpublic information
- place limitations on short term trading by imposing a 5 day holding period
- place limitations on daily transaction volume in non-exempt securities using a limit of 1.0% of the security’s 30 day average daily volume.

Trades in open-end mutual funds, ETFs, municipal securities and any purchase or sale of fixed-income securities issued by agencies or instrumentalities of, or unconditionally guaranteed by, the Government of the United States (collectively, the “Permitted Securities”), are exempt from pre-clearance requirements.

Our Code is available to any client or prospective client upon request by contacting Joel Beck, Cornerstone Capital Inc.’s Chief Compliance Officer, at (212) 874-7400.

Participation or Interest in Client Transactions

We do not engage in principal transactions with client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account, buys from or sells any security to any advisory client. Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

Item 12 Brokerage Practices

Research Services.

We do not have investment management discretion or recommend the purchase or sale of any securities through our provision of Research Services. Accordingly, the selection or recommendation of broker-dealers for client transactions is inapplicable with respect to our provision of Research Services.

Investment Management Services.

When we allocate client assets to Managers, the Manager will determine the broker to be used and the commission paid, including negotiating the amount of such broker's commission. Information about brokerage used by Managers may be obtained from the Manager or the offering memorandum or prospectus, as applicable.

If we invest in underlying Securities on behalf of discretionary accounts, we generally determine the broker to be used and the commission rate to be paid. We do not adhere to any rigid formulas in making selection of brokers, but will weigh a combination of criteria. For the most part, we will seek the best combination of brokerage expenses and execution quality but we are not required to select the broker that charges the lowest transaction cost. While trade price is often a significant quantitative factor in best execution, we also evaluate qualitative execution factors, such as research capabilities, success of prior research recommendations, ability to execute trades, nature and frequency of sales coverage, depth of services provided, including back office and processing capabilities, financial stability and responsibility, reputation, commission rates, markups and markdowns, responsiveness to our firm and the value of research and brokerage products and services provided by such brokers.

In certain cases, clients may request that their own brokers be used. We will use reasonable efforts to accommodate such client requests. However, we cannot guarantee that we can accommodate such requests. Where we are able to accommodate your request to direct the selection of brokerage, it should be noted that you:

- may be restricting our ability to obtain as favorable overall execution as might otherwise be obtainable;
- that your account may forego benefits from savings on execution costs that may otherwise be obtained, most notably by aggregating brokerage orders for various accounts;
- pay higher prices than other client accounts that did not direct brokerage;
- may miss limited opportunity investments afforded to other clients that did not direct brokerage; and
- that there may be additional credit and/or settlement risk in using the broker you select.

We do not engage in soft dollar arrangements with broker-dealers with respect to our Investment Management Services.

From time to time, it may be appropriate for more than one of the accounts managed by us to trade in the same securities at the same time. We may aggregate sale and purchase orders of financial instruments held by a client with similar orders being made simultaneously for other clients, if, in our reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to a client based on an evaluation that a client is benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. Allocations to client accounts are made on a trade-by-trade basis pursuant to a pro-rata allocation methodology based on the amount of assets in each client's account. Exceptions to such allocation methodology may be made based on the following factors, among others: investment objectives and restrictions; risk-management requirements; adherence to any limits or investment guidelines; capital availability in each client account for trades of the type under consideration; liquidity/availability of securities; and eligibility to participate in the transaction. If the orders are aggregated, each of the accounts will have its same day orders filled on an average price basis (such that each receives the same price).

If an order is only partially filled on the date of placement, that portion of the order that has been filled will be allocated to all participating accounts pro-rata based on the amount of assets in each participating client's account. Exceptions may be made to allocation of partially filled orders for transactions in Securities in a situation in which pro rata allocation would result in de minimis positions that would not be meaningful, such as an odd lot.

Although our goal is to be fundamentally fair on an overall basis with respect to all clients, there can be no assurance that on a trade-by-trade basis that one client will not be treated differently from another. If Cornerstone Capital Inc. did not manage multiple client accounts, each client individually may be able to receive or sell a greater percentage of all securities purchased or sold. Consequently, when multiple clients participate in limited opportunity trades, each participating account reduces the opportunity available to other participating accounts.

If you are recommended to a mutual fund, ETF or Underlying Manager, please refer to the prospectus of such mutual fund or ETF, or the disclosure brochure of such Underlying Manager, for trading practice information.

Item 13 Review of Accounts

With respect to clients that receive Investment Management Services, the portfolio management team monitors individual client accounts on an ongoing basis and will conduct formal account reviews at least annually to make a determination whether the Investment Management Services provided are consistent with your stated investment goals and objectives. In addition, the Chief Compliance Officer will monitor on an annual basis that allocations to Underlying Managers are only made to approved Underlying Managers and that investment allocations comply with particular client investment guidelines. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

We will provide you with regular written reports in conjunction with account reviews. Such reports may include account balances, changes in value relative to performance benchmarks when applicable and asset allocation summaries. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s). We do not review client accounts that receive our Research Services.

Item 14 Client Referrals and Other Compensation

See Item 5 for additional information regarding compensation we receive from third parties that are not clients.

We have entered into referral agreements whereby we may compensate third parties for client referrals. Such agreements are structured to comply with Rule 206(4)-3 under the Investment Advisers Act of 1940. Under such agreements, we have authority to monitor the conduct of persons eligible to receive referral fees in order to ensure that they are making timely and proper disclosures to referred clients. Referred clients are also required to acknowledge in writing that they have received required disclosures relating to the referral arrangement.

Item 15 Custody

We do not have actual custody of any client assets. We are deemed to have custody under Rule 206(4)-2 under the Advisers Act (the “Custody Rule”) if we deduct advisory fees from an Investment Management Services client’s account without preapproval. We also may be deemed to have custody under the Custody Rule for other reasons. Generally, Investment Management Services clients will receive account statements at least quarterly from their custodians including all clients over which we are deemed to have custody of their assets. Clients are urged to carefully review all custodian accounts statements they receive and contact us if they have any questions. Clients are also urged to compare the account statements they receive from their custodians to any account statements they receive from us and to contact us if they have any questions upon conducting such a review.

We do not have custody of our Research Services’ clients’ assets if all they receive from us are Research Services.

Item 16 Investment Discretion

We do not have, as a result of providing Research Services to clients, discretionary authority to manage securities accounts on behalf of clients. We may have authority, without obtaining specific client consent, to determine the types and amounts of securities to be bought and sold pursuant to an Investment Management Services client's Client Agreement. Limitations on our authority may be imposed by such Client Agreement.

Item 17 Voting Client Securities

We do not have, and will not accept, as a result of providing Research Services to clients, authority to vote client securities.

With respect to our Investment Management Services, except as otherwise agreed with you, we will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

The Underlying Managers with whom you invest may vote proxies for securities purchased on your behalf if authorized to do so by you, either with respect to all proxies or with respect to specific votes on specific topics or shareholder proposals.

In addition, if any Assets are invested in Securities the issuers of which are named in or subject to a class action lawsuit, we will not take any action or render any advice with respect to such class action lawsuit, including but not limited to, participating in such class action lawsuit.

Item 18 Financial Information

We have no financial condition that impairs our ability to meet contractual commitments to clients, and have not been the subject of a bankruptcy proceeding.

We may require prepayment of more than \$1,200 in fees more than six months in advance from clients that receive our Research Services. Accordingly, we are required to include in this Item 18 Cornerstone Capital Inc.'s balance sheet as of December 2015, which is set forth on Appendix 1 hereto.

APPENDIX 1

DECEMBER 2015 BALANCE SHEET

[SEE NEXT PAGE]

Cornerstone Capital Inc.

Balance Sheet
December 31, 2015

Cornerstone Capital Inc.

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December 31, 2015

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Independent Auditors' Report

To the Board of Directors CornerstoneCapital Inc.

We have audited the accompanying balance sheet of Cornerstone Capital Inc. as of December 31, 2015, and the related notes.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of Cornerstone Capital Inc. as of December 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

PKF O'Connor Davies, LLP

March 10, 2016

PKF O'CONNOR DAVIES, LLP

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Cornerstone Capital Inc.

Balance Sheet

December 31, 2015

Assets

Current assets

Cash and cash equivalents	\$	949,301
Accounts receivable		5,000
Due from related parties		8,639
Prepaid expenses		116,107
Other current assets		<u>56,285</u>

Total current assets		<u>1,135,332</u>
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Non-current assets

Property and equipment, at cost, net of accumulated depreciation of \$27,517		48,031
Website development costs, net of accumulated amortization of \$47,034		15,678
Restricted cash		<u>167,014</u>

Total non-current assets		<u>230,723</u>
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Total assets	\$	<u><u>1,366,055</u></u>
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The accompanying notes are an integral part of the financial statement.

Cornerstone Capital Inc.

Balance Sheet

December 31, 2015

Liabilities and Stockholder's Equity

Current liabilities	
Accounts payable and accrued expenses	\$ 150,012
Deferred revenue	20,559
Note payable including accrued interest of \$8,026	<u>758,026</u>
Total current liabilities	<u>928,597</u>
Non-current liabilities	
Deferred rent	54,748
Convertible note payable including accrued interest of \$2,776	<u>32,776</u>
Total non-current liabilities	<u>87,524</u>
Total liabilities	<u>1,016,121</u>
Stockholder's Equity	
Preferred Stock (\$.00001 par value; 7,931,752 shares authorized, 3,057,119 shares issued and outstanding at December 31, 2015)	4,585,688
Common stock (\$.00001 par value; 38,000,000 shares authorized, 20,256,107 shares issued and outstanding at December 31, 2015)	203
Additional paid-in-capital	1,258,302
Retained deficit	<u>(5,494,259)</u>
Total stockholder's equity	<u>349,934</u>
Total liabilities and stockholder's equity	<u><u>\$ 1,366,055</u></u>

The accompanying notes are an integral part of the financial statement.

Cornerstone Capital Inc.

Notes to the Financial Statement December 31, 2015

1. Organization and Business

Cornerstone Capital Inc. (the "Company"), was incorporated under the laws of the State of Delaware on June 28, 2013, and commenced operations on August 2, 2013. The Company's mission is to provide financial services and consulting to clients using enhanced analytics in global sector research and corporate governance. In addition to its research products, the firm offers speeches and industry presentations focused on issues relating to Environmental, Social and Corporate Governance Factors ("ESG") and sustainability. In 2014, the Company introduced investment advisory and investment banking activities as services provided to their clients. On September 12, 2014, the Company was licensed by the Securities and Exchange Commission as a Registered Investment Advisor ("RIA").

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statement has been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and are stated in United States Dollars. The following is a summary of the significant accounting policies used in preparing the financial statement.

Use of Estimates

The preparation of a financial statement in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts and disclosures in the financial statement. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable is reported at net realizable value. The Company considers customer account balances with invoices dated over 90 days old generally to be delinquent. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days from the invoice date and, based on assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. As of December 31, 2015, all receivables deemed to be uncollectable were written off and therefore no allowance for doubtful accounts was recorded.

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Expenditures for repairs and maintenance are charged to operations as incurred; additions and improvements are capitalized.

Website Development Costs

In accordance with accounting standards, direct internal and external costs incurred in connection with developing or obtaining software for internal use are capitalized and amortized over the estimated useful life of the software when the development project is complete and the application is put into production.

Deferred Rent

Rent expense under operating leases providing for fixed escalations and rent abatements is recognized on a straight-line basis over the term of the underlying lease. The cumulative net excess of recorded rent expense over (under) net lease payments made is reflected on the balance sheet as deferred rent.

Deferred Revenue

Deferred revenue represents signed contracts and deposits for subscription fees from customers. Revenues are recognized when persuasive evidence of an arrangement exists, the fees are fixed or determinable, collectability is reasonably assured and the product or service has been delivered. Journal subscription revenue is recorded as unearned revenue and recognized on a proportionate basis over the life of the subscription.

Income Taxes

The authoritative guidance issued by the Financial Accounting Standards Board ("FASB") requires management to determine whether it is more likely than not that a tax position will be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon settlement. De-recognition of a tax benefit previously recognized could result in the Company recording a tax liability that would reduce equity. Tax penalties and interest, if any, would be accrued as incurred. The Company files tax returns as prescribed by the tax laws of the jurisdiction in which it operates. In the normal course of business, the Company is subject to examination by federal, state, and local jurisdictions, when applicable. The earliest year that is subject to examination under the statute of limitations is 2013. As of December 31, 2015, the Company did not have any unrecognized tax liabilities.

Cornerstone Capital Inc.

Notes to the Financial Statement

December 31, 2015

2. Summary of Significant Accounting Policies (continued)

Share Based Compensation

The Company has a stock incentive plan for employees. The Company recognizes compensation expense in the statement of operations related to the fair value of its stock-based awards over their respective vesting periods. The fair value of stock options granted is determined using the Black-Scholes valuation model. The Company recorded additional paid in capital related to the issuance of restricted stock and stock options to employees and advisors of \$281,651 for the year ended December 31, 2015.

3. Concentration of Credit Risk

The Company maintains cash balances at its banks, which at times may exceed the amount insured by the Federal Deposit Insurance Corporation ("FDIC").

4. Restricted Cash and Letter of Credit

In fulfillment of its security obligations under the lease for its New York City office space, the Company arranged for the issuance of a \$167,014 Letter of Credit ("LOC") in favor of its landlord. Such LOC was collateralized by a cash deposit account at the issuing bank. At December 31, 2015, the amount on deposit with the bank was \$167,014, which earns interest annually.

5. Property and Equipment

Property and equipment consist of the following:

		2015
Computer equipment	\$	35,400
Furniture & fixtures		35,038
Computer software		5,110
		75,548
Less: accumulated depreciation		(27,517)
	\$	48,031

There were no capital lease obligations outstanding as of December 31, 2015.

6. Website Development Costs

Software development costs for the website consist of the following:

		2015
Website development costs	\$	62,712
Less: accumulated amortization		(47,034)
	\$	<u>15,678</u>

7. Related Party Transactions

Stockholder Loans

In November, 2013, the Company entered into a promissory note with a stockholder in the principal amount of \$250,000. The Company received two additional loans from the same stockholder in March and April 2014. Each of these loans are in the principal amount of \$250,000. The loans mature two years following their date of issue. During the first 12 month period of each loan, interest accrues at the LIBOR rate on the date of the loan. For the second 12 month period, interest accrues at the LIBOR rate at the loan's first anniversary date. Upon maturity, principal and accrued interest are due. The LIBOR rates on the three loans range from 0.55% and 0.97%. The maturity date of the \$250,000 original loan was extended by the stockholder and subsequently repaid in January 2016.

At December 31, 2015, the balance on these promissory notes including accrued interest is \$758,026 and is included under current liabilities on the balance sheet.

Transactions with Board Members and Management Personnel

From time to time stockholders, directors and management of the Company may purchase services from the Company. These purchases are on the same terms and conditions as those entered into by other employees or clients.

Due from Related Parties

Amounts due from related parties are non-interest bearing and have no specified date of repayment.

8. Convertible Promissory Notes

The Company issued promissory notes ("Notes") totaling \$1,840,000 in 2014. The terms of the Notes are such that the Company will pay note holders simple interest at a rate of 6% per annum, which will be due and payable at maturity. The entire outstanding principal balance and all unpaid accrued interest will become due and payable at maturity. Maturity is the earlier of the 2-year anniversary of the closing date of the respective note or the acceleration of the maturity date upon the occurrence of an event of default. At maturity, the outstanding principal balance under the Notes are convertible into Common Stock of the Company at a conversion price as defined in the agreement.

Cornerstone Capital Inc.

Notes to the Financial Statement December 31, 2015

8. Convertible Promissory Notes (continued)

During the year ended December 31, 2015, approximately \$1,866,000, of the Notes including accrued interest of \$56,000 were converted to Series A Preferred Stock based upon an issue price of \$1.50 per share (see note 9). The remaining Notes totaled \$32,776 and is reflected on the balance sheet at December 31, 2015. One employee holds 100% of the remaining value of the Notes.

9. Series A Preferred Stock

In February 2015, the Company authorized 7,931,752 shares designated as Preferred Stock, \$0.00001 par value, all of which are designated as Series A Preferred Stock ("Preferred Stock"). 3,057,119 shares of Preferred Stock were issued for a total value of \$4,585,688, including approximately \$1,866,000 of Notes that were converted to Preferred Stock during the year ended December 31, 2015 (see Note 8). Total cash proceeds were \$2,673,959, net of \$45,763 legal and banker fees.

In the event of liquidation, the holders of the Preferred Stock are entitled to receive an amount per share equal to the sum of (A) \$1.50 for each outstanding share and (B) an amount equal to all declared but unpaid dividends on such share.

Each share of Preferred Stock is convertible, at the option of the holder, at any time after the date of issuance into shares of Common Stock as is determined by dividing the Original Issue Price by the Conversion Price, in effect on the date of the conversion. Each share will automatically be converted into shares of Common Stock at the Conversion Price at the time in effect for the Preferred Stock immediately upon the earlier of (i) the Company's sale of its Common Stock in a firm commitment underwritten public offering or (ii) the date specified by vote or written consent of the holders of at least a majority of the then outstanding shares of Preferred Stock. The Preferred Stock has a noncumulative dividend rate of 8%.

1,484,394 shares of the Preferred Stock are owned by the founder and relatives of the founder and members of the Board of Directors.

10. Common Stock

In February 2015, the Board of Directors adopted an amendment to the Certificate of Incorporation to authorize each share of Common Stock be split and converted into ten shares of Common Stock. The Board of Directors further authorized a total of 38,000,000 shares of Common Stock with a par value of one one hundred thousandth of one dollar (\$0.00001) per share. All share and related option information presented in these financial statement and accompanying footnotes has been adjusted retroactively to reflect the increased number of shares resulting from this action.

At December 31, 2015 the founder held 20,010,000 shares of Common Stock. Dividends on the Common Stock will be paid only if, when and as declared by the Board of Directors. Common stockholders have the right to one vote for each share of Common Stock held.

Cornerstone Capital Inc.

Notes to the Financial Statement December 31, 2015

11. Leases

The Company leases approximately 7,259 square feet of office space in New York, NY. The lease will expire in October 2018. The Company also leases office space in Denver, CO on a month to month basis. Rent expenses for the Company's office space are recognized over the term of the lease. There are no renewal options on these leases. The Company recognizes rent starting when possession of the facility is taken from the landlord. When a lease contains a predetermined fixed escalation of the minimum rent, the Company recognizes the related rent expense on a straight-line basis and records the difference between the recognized rental expense and the amounts payable under the lease as deferred rent.

At December 31, 2015, aggregate annual future minimum lease payments under these leases are as follows:

	2016	2017	2018	Total
Minimum Lease Payments	\$312,137	\$312,137	\$260,114	\$884,338

12. Income Taxes

The significant components of the Company's deferred tax assets and liabilities at December 31, 2015 are as follows:

	2015
Current deferred tax assets (liabilities)	
Shareholder loan accrued interest	\$ 3,595
Net current deferred tax asset	3,595
Non-current deferred tax assets (liabilities)	
Depreciation and amortization of property, equipment and website development costs	(18,267)
Deferred rent	24,522
Organization costs	26,334
Convertible debt and shareholder loan accrued interest	1,243
Charitable contributions	16,214
Stock incentive compensation	95,990
Net operating loss	2,508,332
Net non-current deferred tax asset	2,654,368
Valuation Allowance	(2,657,963)
Net deferred tax asset	\$ -

Cornerstone Capital Inc.

Notes to the Financial Statement
December 31, 2015

12. Income Taxes (continued)

The Company has net operating loss carry-forwards ("NOLs") in its various federal, state and local filing jurisdictions totaling \$4,995,518 which are available to offset future taxable income. These NOLs expire in various years through 2035. The Company believes that, based on a number of economic and historical factors as well as information currently available, there is an uncertainty regarding the ultimate realization of its deferred tax assets and thus a valuation allowance of 100% has been recorded at December 31, 2015.

13. Stock Based Compensation

Stock Incentive Plan

The Company established the 2013 Stock Incentive Plan (the "Plan") in 2013 under which it administers stock options and restricted stock to attract, retain and motivate employees and consultants and to compensate them for their contributions to the growth and success of the Company.

In February 2015, the Company authorized an aggregate number of authorized shares of Common Stock reserved for issuance under the Stock Incentive Plan to a total authorized reserve of 9,313,917 shares at a par value of \$0.00001. No additional shares have been allocated.

Restricted Stock Grants

In 2015, the Company issued 121,045 shares of restricted Common Stock at a fair market value of \$83,582. The shares are fully vested and are subject to an indefinite right of first refusal and a nine-month right of repurchase.

Stock Options

Pursuant to the Plan, the Company granted incentive stock options to certain employees to purchase shares of common stock of the Company at an exercise price determined at the date of the grant.

The options vest over a three to four year period and are exercisable for a period not to exceed ten years from the date of grant.

Cornerstone Capital Inc.

Notes to the Financial Statement December 31, 2015

13. Stock Based Compensation (continued)

A summary of the stock option plan as of December 31, 2015, and activity during the year then ended is as follows:

	Stock Options	Weighted Average Exercise Price
Outstanding at January 1, 2015	3,503,532	\$0.05
Options granted	3,140,049	\$0.69
Options exercised	(125,062)	\$0.05
Options cancelled	(264,050)	\$0.05
Outstanding at December 31, 2015	6,254,469	\$0.37

Stock options outstanding and exercisable at December 31, 2015 are as follows:

Exercise Price	Number of Shares Outstanding	Weighted Average Remaining Life (Years)	Number of Shares Exercisable
\$0.05	3,514,430	8.4	1,358,536
\$0.78	2,740,039	9.9	498,959
	6,254,469		1,857,495

At December 31, 2015, there were 4,396,974 unvested options to purchase shares of common stock with a value of \$758,682 which will be amortized over the next 4 years.

The fair value of each stock option granted was estimated at the date of grant using the Black-Scholes option pricing model, assuming no dividends and using the weighted average valuation assumptions noted in the following table. Using the Black-Scholes option pricing model, the calculated value per share on the grant date ranged from \$0.02 to \$0.41. The shares vest ratably over four years with an exercise price ranging from \$0.05 to \$0.78 per share. The shares will be issued when exercised from a pool of reserved shares.

13. Stock Based Compensation (continued)

The significant assumptions used to determine the calculated value of options during 2015 are as follows:

Risk-free interest rate	0.2% - 1.45%
Expected dividend yield	-0-
Expected volatility	40%
Expected life in years	5 -10
Forfeiture rate	20%

14. Subsequent Events

The Company's management has evaluated the period from January 1, 2016 to March 10, 2016, the date the financial statement was available to be issued, for subsequent events requiring recognition or disclosure in the financial statement.

Series B Preferred Stock

In February 2016, the Company authorized 6,666,667 shares designated as Preferred Stock, \$0.0001 par value, all of which are designated as Series B Preferred Stock. As of March 10, 2016, no shares have been issued.