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## **Cornerstone Advisors Asset Management, LLC**

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May 8, 2020

This Brochure provides information about the qualifications and business practices of Cornerstone Advisors Asset Management, LLC (“Cornerstone”). If you have any questions about the contents of this Brochure, please contact us at (800) 923-0900. 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.

Cornerstone is a registered investment adviser with the Securities and Exchange Commission (“SEC”). Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Cornerstone Advisors Asset Management, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2: MATERIAL CHANGES**

This Brochure dated May 8, 2020 is our most recent ADV Part 2 Brochure prepared according to the SEC's requirements and rules.

There are no material changes to this document from our previous Brochure filing dated March 30, 2020. However, we have made clarifications to Item 18 of this Brochure.

Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will deliver the applicable disclosure brochure(s) or Form ADV Part 2 to you before or at the time we enter into an investment advisory contract with you. In addition, we will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

At any time, our Brochure may be requested by contacting Christopher McKinley, Chief Compliance Officer at (800) 923-0900 or [cmckinley@cornerstone-companies.com](mailto:cmckinley@cornerstone-companies.com). Our Brochure is also available on our website, [www.cornerstone-companies.com](http://www.cornerstone-companies.com), free of charge.

Additional information about Cornerstone Advisors Asset Management, LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Cornerstone Advisors Asset Management, LLC who are registered, or are required to be registered, as investment adviser representatives of Cornerstone Advisors Asset Management, LLC.

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## ITEM 4: ADVISORY BUSINESS

Cornerstone Advisors Asset Management, LLC began offering investment services in 1998 and has continuously offered investment advisory services since that time. The firm is 100% owned by Cornerstone Benefits, Inc. ("CBI"), a Pennsylvania registered corporation. CBI is 100% owned by Cornerstone's employees through an Employee Stock Ownership Plan ("ESOP") trust called the Cornerstone Benefits, Inc. Employee Stock Ownership Trust. The Trustee is Horizon Bank, N.A. dba Horizon Trust.

As of December 31<sup>st</sup>, 2019, Cornerstone manages a total of \$6,259,483,605 in client assets of which \$3,080,419,327 are discretionary assets and \$3,179,064,278 are non-discretionary assets.

Cornerstone provides investment advisory services for institutional clients (i.e., defined benefit and defined contribution plans, foundations and endowments, corporations, not-for-profit organizations and public funds) and individual clients (i.e., natural persons, families, personal trusts, family partnerships and limited liability companies). The common factor among these clients is their obligation or desire to implement a "best practices" fiduciary investment solution designed to produce above average risk-adjusted returns based on their risk profile. The common thread tying together our services whether we are working with private clients who need to fund their lifestyles or institutions with defined benefit obligations, endowment spending requirements, or other liabilities is that our focus is on risk management, asset allocation, portfolio monitoring and fee transparency.

We prefer to be retained as a full-service investment consultant by each client; however, you can engage Cornerstone in any one or multiple lines of business because of our open architecture platform. An open architecture platform, which means striving to hire "best in class" service providers for management, brokerage, custody, recordkeeping, etc., allows you to achieve a high level of flexibility. This flexibility enables us to work with you to develop investment policies that are tailored to your specific needs in every aspect of your investment solution. Cornerstone is capable of designing portfolios tailored to clients who may have certain restrictions (for example, socially conscious investing). Our clientele's requirement of flexibility has led Cornerstone to make substantial investments in technology so that reporting and monitoring can be customized to suit your needs.

### **Institutional Investment Management Consulting**

Cornerstone provides comprehensive investment consulting services designed to ensure that clients are meeting their fiduciary responsibility as defined by ERISA (Employee Retirement Income Security Act), UPIA (Uniform Prudent Investor Act), UPMIFA (Uniform Prudent Management of Institutional Funds Act), MPERS (Uniform Management of Public Employee Retirement Systems Act), or other pertinent laws. We manage all of our relationships in a manner designed to deliver best practices and urge our individual clientele to follow as high a fiduciary standard for your personal assets as you would for an institution. The services listed below are generally a core part of Cornerstone's Investment Management consulting:

- Asset Management Services
- Investment Policy Management
- Performance Monitoring
- Risk Assessment
- Fiduciary Services
- Discretionary Management
- Vendor/Manager Due Diligence
- Performance and Attribution Measurement

### **Retirement Plan Consulting**

Our Retirement Planning practice works with you to develop different methods in which to retain employees through well designed compensation structures. We design, implement and monitor defined contribution plans (401(k), 403(b), 457(b), etc.), non-qualified deferred compensation plans and incentive plans.

Cornerstone assists clients with plan design, negotiating vendor contracts, managing asset allocation portfolios, policy development and monitoring, core menu fund selection, quarterly fiduciary reviews, plan communications, monitoring regulatory changes, annual educational goals and problem resolution support.

In addition to the Investment Management Consulting services, the services listed below are generally a part of Cornerstone's Retirement Plan Consulting:

- Fiduciary Training
- Plan Sponsor Support
- Participant Support Services
- Service Provider Related Services

### **Planned Giving Services**

Cornerstone helps our not-for-profit clients manage assets gifted through planned giving strategies and works to manage them effectively for both the donor and the organization. Cornerstone has developed an efficient, turnkey solution for these institutions that utilizes our open architecture investment platform with administration provided by PG Calc, a leader in the industry. This solution includes Investment Management, Administration, Gift Design, Audit Support and Gift Payments.

### **Private Wealth Services**

Cornerstone works with wealthy individuals and families to provide discretionary investment advisory services. These services are similar to those provided in our Institutional Investment Management consulting practice but tailored to meet the unique needs of wealthy individuals. Services start with creating an Investment Policy Statement to provide the framework for our services and continues with ongoing investment advisory services, reporting, and regular reviews.

### **Financial Planning**

Cornerstone offers financial planning services to individuals that include services such as: personal financial planning, insurance and estate planning, capital needs analysis, tax and cash flow analysis, retirement income planning, investment analysis and education planning.

Financial planning information will be obtained through personal interviews with each client concerning your current financial status, future goals and attitudes towards risk. Related documents that you supply are carefully reviewed, along with data gathered from you. In most cases, a written report is issued.

### **Executive Risk Management**

Our executive risk management services help organizations compensate their employees in a meaningful way, by designing plans to supplement income in excess of what is provided through their qualified plans, encouraging retention and promoting their professional growth. At Cornerstone, we work with our clients to design packages that strengthen the core of their companies. Such plans might include:

- Deferred Compensation Plans
- Supplemental Executive Retirement Plans
- Post-Employment Liability Funding
- Executive Carve Out Plans
- ESOP Repurchase Obligation Plans

Cornerstone does not offer wrap accounts.

## **ITEM 5: FEES AND COMPENSATION**

Cornerstone's fees are based on a set of standardized line-of-business fee schedules but are then negotiable on a case-by-case basis depending on the complexity of the client engagement and the services agreed upon. Therefore, clients similarly situated may pay significantly higher or lower fees than other clients. Fees are determined after considering factors such as, but not limited to, the nature of the relationship, the amount of assets under management, the complexity of the investment solution, and/or the services you require. These fees can be any one or a combination of the following: asset-based fee (percentage of assets), a flat dollar fee, or a one-time project-based fee. The entire scope of work and rate of these fees are clearly defined within your Investment Advisory Agreement which can be terminated by contractually determined written notice by either party.

Investment Management fees are calculated and due quarterly and are payable in arrears. Based on your preference, Cornerstone can either deduct these fees directly from your account or invoice you directly for services rendered.

Cornerstone's Investment Management fees are for advisory services only and are separate from compensation paid to independent money managers, custodians, recordkeepers, mutual funds, brokers and other service providers as well as other fees which include taxes, trading fees and other transfer fees. Cornerstone does not sponsor a wrap-program in which all of these services would be included in Cornerstone's fee. We believe that it is a best practice and matter of moral integrity to disclose all fees you have paid to our firm. We will disclose such payments and any other compensation created from our relationship with you. Detailed historical fee information for your account is available upon request.

### **Institutional Investment Advisory Fees**

Due to the variability of services required, the complexity of the solutions provided and the size of assets, Cornerstone's Institutional Investment Management fees are fully negotiable.

### **Private Wealth & Planned Giving Services Fees**

Below is the standardized fee schedule for Cornerstone's Private Wealth and Planned Giving Services lines of

business. These fees are negotiable depending on the complexity of the client engagement and the services agreed upon.

Cornerstone's Planned Giving Services are inclusive of all standard consulting services, reporting requirements and recordkeeping services as outlined in the client's investment advisory agreement. Tax returns and state annual filings are prepared by outside firms at a variable pass-through cost.

Private Wealth & Planned Giving Fee Schedule	
Portfolio Assets	Annual Fee for Services
First \$1 million*†	1.00% (100 basis points)
Next \$1 million	0.75% (75 basis points)
Next \$3 million	0.50% (50 basis points)
Next \$5 million	0.35% (35 basis points)
\$10+ million	Fully negotiable

\* For Private Wealth, any portfolio assets under \$500,000 will be billed at the minimum annual rate of \$5,000.

† For Planned Giving, any portfolio assets under \$1,000,000 will be billed at the minimum annual rate of \$10,000.

#### Defined Contribution Plan Fees

Below is the standardized fee schedule for defined contribution retirement plans. Fees are negotiable and generally range from \$10,000 to \$100,000 annually.

Defined Contribution Plan Fee Schedule	
Plan Assets	Annual Fee for Services
First \$3 million*	0.50% (50 basis points)
Next \$17 million	0.15% (15 basis points)
Next \$30 million	0.08% (8 basis points)
\$50+ million	Fully negotiable

\*Any fund amounts under \$1,000,000 will be billed at the minimum annual rate of \$5,000.

#### Financial Planning Fees

For Financial Planning Services, Cornerstone may charge a negotiable flat fee ranging from \$2,500 to \$100,000, which will be quoted prior to the Financial Planning Services agreement being executed. The fee for this service will be determined according to the complexity of the plan as well as the extent of service desired by the client. These fees may be payable upon completion of

services or on a pre-determined schedule based upon completion of predetermined objectives as defined in the agreement.

#### Special Client Projects

During the course of a client relationship Cornerstone is often asked to perform special projects, in addition to, or in lieu of providing our traditional investment consulting services. Examples of Special Client Projects include, but are not limited to, managing Requests for Proposal ("RFP") for Retirement Plan Providers or Custodians, Plan Fiduciary Reviews, Overall Plan/Portfolio Fee Analysis, Consolidated/Customized Performance Reporting, Asset Liability Modeling, Communication and Education services, Fiduciary Training and Transition Management. A negotiable consulting fee, typically ranging from \$10,000 to \$250,000, is charged for these services. Under certain circumstances, Cornerstone may waive all or part of this fee. These fees may be payable upon completion of services or on a pre-determined schedule based upon completion of predetermined objectives as defined in the Scope of Services agreement.

Similar advisory services may (or may not) be available from other registered investment advisors for similar or lower fees.

#### Commissionable Fees

Cornerstone supervised persons and related sales personnel are also be associated with M Holdings Securities, Inc. ("MHS"), a member firm of the Financial Industry Regulatory Authority ("FINRA"), an un-affiliated broker-dealer. Supervised persons and related sales personnel receive commissions on certain products offered through MHS. Cornerstone and its supervised persons have an incentive to recommend certain securities products for which the supervised person receives a commission. All such commissions or other fees will be fully disclosed, and Cornerstone has a Compliance Program in place to supervise such activities and to help meet our fiduciary duty to you.

#### Share Class Selection

Cornerstone does not collect, receive or otherwise directly share in mutual fund 12(b)-1 fees (also known as marketing or distribution fees associated with higher-priced mutual fund share classes). It may not always be in a client's best interest to purchase the lowest cost mutual fund share class, and in those instances, Cornerstone will not recommend or implement the lowest cost share class for a client account. Put simply, share class selection by Cornerstone is made in the best interest of the client and

does not result in additional compensation paid to Cornerstone.

## ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Cornerstone does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## ITEM 7: TYPES OF CLIENTS

Cornerstone provides its investment advisory services primarily to:

- Retirement plans sponsored by successful businesses, municipalities, health systems, and institutes of higher education.
- Not-for-profit foundations/endowments and planned giving programs.
- Wealthy & entrepreneurial families and individuals.
- Corporate cash and liability funding programs.

Cornerstone does not enforce account minimums, but we do have target client sizes that vary dependent on advisor, client type, relationship and breadth of services. We may choose not to work with a prospect outside of our target size.

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

Cornerstone analyzes many sources of data in order to develop investment advice. These can be grouped in the following areas:

- **Macroeconomic Information** - Cornerstone utilizes publicly available information from news sources such as Bloomberg, Bank Credit Analysts ("BCA"), the Wall Street Journal and many others to develop macroeconomic tilts to our portfolios.
- **Capital Markets Forecasting** - Cornerstone collects forward looking capital market assumptions from various firms. These are prognostications of what can be expected over the next 5, 10 and 15 years from these sources and can vary significantly from historical measures. Using these sources, we can model out expected returns for various portfolios over the intermediate term.

- **Money Manager Databases** - Cornerstone subscribes to several manager databases including Callan Associates, Inc., PSN and Morningstar that provide both quantitative and qualitative information on various money managers that our Investment Policy Committee reviews prior to engaging with any management firm or mutual fund complex.

Cornerstone's Investment Policy Committee uses these inputs as well as client-specific information such as fiscal strength, long-term goals and other items to develop open architecture solutions that are designed to meet those goals.

As with any investment, these results are not guaranteed, and clients should be prepared to bear risks of principal loss as explained below.

The material risks that clients should be willing to bear include the following:

- **Principal Risk** - The loss of invested capital
- **Inflation Risk** - The inability of the portfolio to keep up with the rate of inflation
- **Currency Risk** - The risk that investments in a currency other than a client's home currency could suffer from fluctuations in those foreign currencies
- **Liquidity Risk** - The inability of clients to readily convert investments into cash
- **Custody Risk** - The loss of capital due to custodian error or malfeasance

Cornerstone does not offer its own proprietary investment product. External products placed into client portfolios contain inherent risks. We attempt to mitigate these risks through various measures including due diligence and diversification; however, these risks cannot be fully discharged.

Cornerstone does not recommend particular types of products for all clients. Instead we build portfolios on a client-by-client basis and explain the risks and return potential of different product types to our clients before investment.

## ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events

that would be material to your evaluation of Cornerstone or the integrity of Cornerstone's management. We have no information or disclosures applicable to this Item.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Broker/Dealer**

All registered investment advisory associates of Cornerstone are registered representatives with MHS, which is engaged in the design and sale of specialized investment products. At a client's request, we may occasionally provide money managers with the option to do directed trades through MHS. On such occasions we will disclose this information to the client.

Cornerstone and/or its executive officers may, from time to time, receive incentive awards for the recommendation/introduction of investment or insurance products. These arrangements may represent a conflict of interest between you and Cornerstone. In situations where this conflict exists or may potentially exist, you will receive full disclosure of a conflict, compensation paid and resolution of the conflict.

Our brokerage policies are outlined in the section of this document labeled "[Item 12: Brokerage Practices](#)".

### **Insurance Agent/Broker**

Cornerstone is affiliated with Cornerstone Institutional Investors, LLC ("CII"), CII is licensed as an insurance agency. Consequently, supervised persons may be agents and/or brokers for various insurance carriers. Therefore, we do receive commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Cornerstone endeavors at all times to put the interest of the clients first as part of our fiduciary duty. Clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgment of the individuals noted in the above paragraph when making recommendations.

CII is a member firm of the M Financial Group, ("M Group"), a network of financial professionals serving the

affluent and corporate executive markets. The M Group provides administrative, technical and market support to its member firms. CII, as well as executive officers Malcolm L. Cowen, II and Thomas J. Scalici own stock in M Financial Holdings, Inc., which is the parent corporation of the M Financial Group. They may receive incentive compensation from M Holdings Inc. in the form of cash and/or stock. The award is based on the firm's contribution to M Financial Holdings, Inc. profitability.

### **Other Investment Advisors**

Cornerstone has a relationship with Callan Associates Inc., a Registered Investment Advisor located in San Francisco, California. We are a founding member of Callan's Investment Advisor Group ("IAG"), which provides investment technology and research, access to pre-negotiated reduced investment manager fees, and a forum for sharing industry best practices. Cornerstone pays an annual membership fee to Callan to maintain our membership. Cornerstone's fees charged to clients are not impacted by this manager fee reduction and there is no compensation paid to Cornerstone for placing assets with any of the managers offering reduced fees. The membership results in enhanced due-diligence and reporting capabilities that directly benefit our clients.

Cornerstone and its affiliates may periodically refer a client to another financial services firm and receive a fee. Examples of this include estate and business succession planning, health and welfare consulting, salary studies and incentive compensation plan design. Fees received from the referred entity will not incur any additional costs to you.

In all cases, compensation provided to or from these affiliates will be fully disclosed to you. If a conflict of interest exists or may exist, we will obtain from you a signed disclosure form outlining the potential conflict and our process for minimizing the effect of said conflict on you.

The compensation arrangements and affiliations noted above cause real and potential conflicts of interest between you and Cornerstone. Anytime a product or service we offer results in added compensation to our supervised persons they have an incentive to recommend such products and services. However, Cornerstone strives to disclose all such real and potential conflicts of interest prior to any recommendation and has created and implemented a Compliance Program (which includes the Code of Ethics described in the next Section) designed to



monitor all such transactions in order to help Cornerstone meet its fiduciary duty to its clients.

## ITEM 11: CODE OF ETHICS

Cornerstone has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to our clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures among other things. All supervised persons at Cornerstone must acknowledge the terms of the Code of Ethics annually, or as amended.

Cornerstone anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which we have management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Cornerstone, its affiliates and/or clients, directly or indirectly, have a position of interest. Our employees and persons associated with Cornerstone are required to follow our Code of Ethics. Subject to satisfying this policy and applicable laws, our officers, directors and employees and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for you. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. In addition, the Code of Ethics requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics in order to reasonably prevent conflicts of interest.

As a summary of the entire Code of Ethics, which is available upon request, we believe that The Standards of Business Conduct found within the Code of Ethics best encapsulates our internal rules regarding our client relationships. It reads as follows:

*"Personnel are expected to acknowledge and adhere to the CFA Institute Code of Ethics, specifically to;*

- (i) Place the integrity of the investment profession and the interests of clients above their own personal interest.*
- (ii) Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.*
- (iii) Use reasonable care and exercise independent, professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.*
- (iv) Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.*
- (v) Promote the integrity and uphold the rules governing capital markets.*
- (vi) Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals."*

Although the Code of Ethics that Cornerstone has adopted outlines our philosophy with regards to maintaining relationships with our clients, below you will find instances where a conflict or potential conflict of interest exist. In each case, Cornerstone has attempted to minimize the frequency of these conflicts and has outlined disclosure and remediation of such situations.

Executive Officers and other employees, as insurance agents, brokers for various insurance companies, or registered representatives of broker/dealers, can purchase investment products, including traditional insurance and variable life insurance, for clients upon request. Clients are under no obligation to engage Cornerstone or these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the client's discretion.

Cornerstone or any associated persons may buy or sell securities identical to those recommended to clients. It is our express policy that no person employed by Cornerstone may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, preventing employees from benefiting from transactions placed on behalf of advisory accounts.

Cornerstone or any related person(s) may have an interest or position in a security which may also be recommended to a client.

As certain transactions may represent a conflict of interest, Cornerstone has established the following restrictions in order to ensure its fiduciary responsibilities:

- 1) An executive officer or employee of Cornerstone shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on a reasonable inquiry. No person of Cornerstone shall prefer his or her own interest to that of the advisory client.
- 2) Cornerstone maintains a list of all securities holdings for itself, and anyone associated with this advisory practice. These holdings are reviewed on a regular basis by the executive officers.
- 3) Clients will be fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
- 4) Cornerstone emphasizes the client's unrestricted right to decline to implement any advice rendered.
- 5) Cornerstone emphasizes the client's unrestricted right to select and choose any broker or dealer, and/or insurance company.
- 6) Cornerstone requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 7) Any individual not in observance of the above may be subject to termination.

## **ITEM 12: BROKERAGE PRACTICES**

Cornerstone does not directly participate in any soft dollar arrangements when trading client accounts and requires service providers to receive your written permission prior to entering into any soft dollar arrangements.

In certain circumstances, Cornerstone may suggest the use of a FINRA member firm broker/dealer to a client in need of assistance; provided Cornerstone, in its discretion, meets its fiduciary obligation of best execution. While commissions charged, if any, are generally competitive, they may not be the lowest in the industry. The overall services provided by the broker/dealer are taken into consideration when executing transactions. You are not under any obligation to affect trades through any recommended broker and are free to select any broker or dealer you choose. Choosing to direct brokerage may cause you to not achieve most favorable execution and you may pay higher brokerage commissions by choosing to direct brokerage.

Cornerstone's advisory practice, due to the individualized nature of its business and client needs, does not include block trades, negotiating commissions with broker/dealers or obtaining volume discounts, nor necessarily obtaining the best price.

Our policy is that the firm will not affect any principal or agency cross securities transactions for client accounts. We will not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker/dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker/dealer or has an affiliated broker/dealer.

Cornerstone does not participate in any relationships with outside parties that include brokerage for client referrals.

## **ITEM 13: REVIEW OF ACCOUNTS**

Cornerstone periodically reviews all accounts under advisement. These accounts are reviewed at least semi-annually by the investment advisor representative assigned to the account. The purpose of these reviews is to ensure that your accounts are within your Investment Policy Statement guidelines and that your financial situation has not changed from the previous review.

Account reviews are also conducted when non-calendar determined events occur. Such events include but are not limited to: large in/outflows, a change in your financial situation or a market dislocation.

Clients will receive a statement of values and transactions from the custodian of their assets on at least a quarterly basis. Cornerstone sends an annual reminder to clients that they should be receiving these statements and to notify us immediately if they are not. For the majority of our clients, Cornerstone prepares reporting for your accounts with holdings and performance information no less frequently than quarterly.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Cornerstone has a code of ethics that requires all dealings be in the best interest of our clients. All compensation paid and received for services related to client accounts is fully disclosed to you. Specific instances of fee sharing and other compensation issues are outlined below.

In addition to the compensation arrangements discussed in Item 10, Cornerstone has entered into relationships with non-affiliated registered investment advisers ("RIAs") through a solicitor's agreement wherein the non-affiliated adviser may refer clients to us for advisory services. In such referral relationships, we share advisory fees with the non-affiliated adviser pursuant to a written agreement. In such cases, client's fees shall not be increased, and this relationship will always be disclosed in writing in advance to the client.

Cornerstone can also refer certain clients to a non-affiliated RIA for services where investment advisory fees will be shared with us. Again, in such cases, referrals shall be made under a written agreement to a qualified RIA. Fees shall not be increased to the client and disclosure regarding any referral arrangement shall be disclosed to the client in advance in writing.

Cornerstone pays referral fees (non-commission based) to non-affiliated solicitors (non-registered representatives) for referrals to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940. Such referral fees represent a share of the investment advisory fee charged to the referred client. This arrangement will not result in higher costs to the referred clients. In this regard, we maintain Solicitors Agreements in compliance with Rule 206 (4)-3 of the Investment Advisers Act of 1940 and applicable state and federal laws. All clients referred by Solicitors to our firm will be given full written disclosure describing the terms and fee arrangements between our firm and Solicitor(s).

Cornerstone pays referral compensation (non-commission based) to employees for referrals of new client relationships. Such referral fees represent a share of the annualized investment advisory fee charged to the referred client. This arrangement will not result in higher costs to the internally-referred clients.

## **ITEM 15: CUSTODY**

Cornerstone does not hold custody of any client assets; however, we may be granted authority, upon written consent from you, to deduct the advisory fees directly from your account. Client assets are held at a qualified custodian. However, we are deemed to have limited custody of client assets when a client authorizes us to deduct our management fees directly from their account. In addition, we are also deemed to have custody of clients' funds or securities when clients have standing letters of authorizations ("SLOAs") with their custodian to move money from a client's account to a third-party, and under that SLOA it authorizes us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow.

The qualified custodian will send you, at least quarterly, your account statements. Your account statements will indicate the funds and securities held with the qualified custodian, any transactions that occurred in your account, and the deduction of our fee (when applicable). You should carefully review account statements received from your custodian and compare them with any reports that you receive from us. We urge you to contact us with any questions about your statements. You should notify us if you do not receive the account statements, at least quarterly, from the qualified custodian.

## **ITEM 16: INVESTMENT DISCRETION**

Cornerstone can accept discretionary investment authority for client accounts. The level of discretionary authority which is outlined within Investment Advisory Agreements can be unlimited, limited or none. You are free to choose the level of discretion you grant to us and are under no obligation to choose one method over another.

Unlimited discretionary authority means that we can invest client assets in a manner that we find most beneficial to you so long as it is consistent with the investment objectives. This discretionary authority includes the ability to open investment accounts on your behalf, hire sub-advisors to manage the assets, or buy and sell mutual funds or individual securities within your account without prior approval.

You can limit the investment discretion allowed to Cornerstone in several ways. You can limit investment discretion based on dollar amounts or percent of the portfolio. In these cases, Cornerstone may initiate transactions up to the limit before providing a written explanation to you. The delivery of this written communication effectively resets this discretion limit to its maximum level.

Sponsors for ERISA-governed retirement plans may choose to engage Cornerstone as an ERISA 3(21) investment fiduciary or 3(38) investment manager. When acting in a 3(21) capacity, Cornerstone does not have discretion, but rather makes investment recommendations to the plan. When acting in a 3(38) capacity, Cornerstone has the discretion to implement changes to plan investment options.

While we will typically inform you either prior to or immediately following a transaction performed by Cornerstone, unless we have written instruction from you to the contrary, Cornerstone has no obligation to inform you of such transactions. You will receive detail of the transaction from the custodian, whether that is via trade confirmation or statement.

## **ITEM 17: VOTING CLIENT SECURITIES**

Cornerstone will accept authority to vote proxies on your behalf if the firm has discretionary authority over the account in compliance with SEC rule 206(4)-6. A

designated employee has been assigned to vote all such corporate actions. The general rule utilized when voting proxies is that the votes are cast in the best interest of the client/beneficiaries of the account.

More specifically, our proxy voting procedures were crafted on the belief that management usually has both the best insights into and best interests of the company in mind when either supporting or dissenting from proxy issues. There are, however, several instances in which management's decision can be questioned, especially when management may be biased by real or potential conflicts of interest. Some examples of when we will vote against management recommendations include: excess anti-takeover measures and excessive compensation for executives.

When considering how to vote on specific items, we take client specific issues into account and may vote the same proxy differently for you than we vote it for other clients. The most frequent example of this exception is in the case of clients who have "socially responsible" guidelines in place versus those that do not. Clients who have instituted socially responsible guidelines have indicated that financial gain must be offset against other factors. This creates a situation where voting on an issue for one client may not coincide with the wishes of another client.

Where appropriate, Cornerstone has outsourced proxy voting to third party money managers that have discretion over individual security selection because their level of familiarity with the company and issues supersedes the information available to Cornerstone.

You may choose to retain proxy voting rights by indicating that desire to us within your Investment Advisors Agreement. If you wish to vote a proxy in a particular manner, please call and ask for Investment Operations at 610-694-0900 no less than 10 business days prior to the deadline with an indication of how to vote the particular proxy.

You can obtain a copy of Cornerstone's complete proxy voting policies and procedures upon request. You may also obtain information from us about how we voted any proxies on your behalf.

## **ITEM 18: FINANCIAL INFORMATION**

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- currently have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

However, there are several financial programs available to small businesses like ours to help us navigate the COVID-19 pandemic. One program is the Paycheck Protection Program (PPP) established by the U.S. Small Business Administration. Our parent company, CBI, applied for and received funding from this program. It is important to note that the circumstances leading CBI to seek this loan, the uncertainty of the pandemic and the sharp market volatility, resulted in an anticipation that it may have needed the funds to support ongoing operations. However, that is currently not the case. We are currently able to meet all of our financial obligations and to continue to service your accounts to the best of our abilities. While not anticipated, should our financial condition change we will notify you and explain the steps we intend to take to address them.

Additionally, we are obligated to tell you that we have not been the subject of a bankruptcy petition at any time during the past ten years.

## **ITEM 19: BUSINESS CONTINUITY & INFORMATION SECURITY PROGRAMS**

We have developed business continuity and information security programs that are regularly reviewed by compliance and information technology professionals in light of both current best practices and applicable regulations. Clients may obtain a copy of our Business Continuity Disclosure upon request.