



CORNERSTONE WEALTH MANAGEMENT

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**Item 1 – Cover Page**

# Cornerstone Wealth Management

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February 26, 2021

This Brochure provides information about the qualifications and business practices of Cornerstone Wealth Management (“Cornerstone”, “CWM”, “Advisor”, the “Firm”). If you have any questions about the contents of this Brochure, please contact us at (440) 899-4000. 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 advisor. Registration of an Investment Advisor does not imply any level of skill or training. The oral and written communications of an Advisor provide you with information about which you determine to hire or retain an Advisor.

Additional information about Cornerstone also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Cornerstone is 106950.

## Item 2 – Material Changes

This Item of the Brochure will discuss only specific material changes that are made to the Brochure since the last annual update and provide clients with a summary of such changes. The last annual update of our Brochure was March 6, 2020.

We do not have material changes for our current Brochure, however, please note that we have updated the Assets Under Management information of Item 4 in accordance with the filing of our Annual Updating Amendment on February 26, 2021.

(Brochure Date: 02/26/2021)

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Our current Brochure, dated January 28, 2021, contains the following material change:

Item 4 has been updated with the notation that Mr. Michael Kelley is an owner of CWM as of January 1, 2021.

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Our current Brochure, dated October 1, 2020, contains the following material change:

Item 10 has been updated with information about the other business activities of Michael Kelley, who recently joined our firm.

In June of this year, we ended our participation in the soft dollar program administered by TD Ameritrade that assigned CWM the ability to use soft dollars to purchase research services from third-party vendors. This change was non-material in nature.

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(Date of most recent Annual Updating Amendment: 02/26/2021)

We will provide you with a new Brochure, as necessary, based on changes or new information, should you request it.

Currently, our Brochure may be requested by contacting Kaye E. O’Boyle, Chief Compliance Officer, at 440-899-4000 or [koboyle@cornerstonewealthmgmt.com](mailto:koboyle@cornerstonewealthmgmt.com).

Additional information about Cornerstone 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 who are registered, or are required to be registered, as investment advisor representatives of Cornerstone.

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## **Item 4 – Advisory Business**

Cornerstone has been providing advisory services since 1995. Cornerstone is owned by Nick Dionisos and Michael Kelley. Mr. Dionisos is the President holding an ownership position of 85%, and Mr. Kelley, as the Vice-President, holds an ownership position of 15%.

As of December 31, 2020, Cornerstone managed \$284,148,251 on a discretionary basis and did not have any nondiscretionary assets under management.

### **Investment Management Services**

Our firm provides investment management services regarding the investment of client assets. We manage assets and view our clients' financial picture from a variety of different perspectives, including, but not limited to, investment performance, tax efficiency, and wealth preservation and transfer.

We construct client portfolios through the ongoing purchase and sale of stocks (including exchange listed securities, securities traded over-the-counter and American Depositary Receipts), mutual funds, exchange traded funds, option contracts, certificates of deposit, municipal and corporate debt securities, and U.S. government securities. To assist clients in the management of their financial affairs, we may also provide advice on interests in partnerships investing in real estate or oil and gas, investments related to private corporations and debt instruments, and other assets held by clients or in which clients may be interested; however, we generally recommend or select only the former group of securities within investment accounts that we manage.

We follow a similar investment policy with respect to most of our accounts, with adjustment for the individual needs and circumstances of each account. Accounts are reviewed periodically (at least quarterly) by our portfolio managers, and securities positions receive continuous management. As of December 31, 2020, we managed 725 accounts for 339 clients. Our portfolio managers consider the individual needs of each client in making purchase and sale decisions within clients' accounts. Clients may impose reasonable restrictions on the investment authority provided to Cornerstone.

We may also provide additional financial advisory services as appropriate and agreed upon with the client. Our services are broader than just the selection of investments on clients' behalf and include personal advice to clients. We will consider your current income, desired lifestyle, and current and future debt obligations to assist with retirement planning. We may also coordinate, with other professionals, financial planning, estate planning, and tax preparation.

## **Financial Planning Services**

Cornerstone also offers advice in the form of Financial Planning. Clients utilizing this service will receive financial planning advice. Various types of reports or financial analysis may be provided to the client. The types of reports provided to clients will vary depending upon the services requested by the client.

In general, the financial analysis or reporting will address one or more of the following areas of concern:

- PERSONAL: Family records, budgeting, personal liability, estate information and financial goals.
- TAX & CASH FLOW: Income tax and spending analysis and planning for past, current and future years. Cornerstone may illustrate the impact of various investments on a client's current income tax and future tax liability.
- INVESTMENTS: Analysis of investment alternatives and their effect on a client's portfolio.
- INSURANCE: Review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- RETIREMENT: Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.
- DEATH & DISABILITY: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.
- EDUCATION: Education IRAs, financial aid, state savings plans, grants and general assistance in preparing to meet dependent's continuing educational needs through development of an education plan.

Financial planning advice may also include non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Cornerstone gathers required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are carefully reviewed and various

types of written reports may be prepared by Cornerstone. Should a client choose to implement the recommendations in the report(s), Cornerstone suggests the client work closely with his/her attorney, accountant or insurance agent. Implementation of financial plan recommendations is entirely at the client's discretion and the client is under no obligation to effect transactions through Cornerstone.

## **Item 5 – Fees and Compensation**

100% of our advisory billings are for providing investment management advisory services to our clients based on our understanding of the individual needs of the client. Our investment advisory fees are charged quarterly and payable in arrears.

In general, our annual fees for providing investment advisory services are calculated as follows:

1% of the market value of assets under management for the first \$1,000,000 of assets,  $\frac{3}{4}\%$  on the next \$500,000 of assets, and  $\frac{1}{2}\%$  on assets thereafter. The fee will be based on the account values on the last business day of the calendar quarter. The first quarterly charge will be prorated in accordance with the actual time assets were placed under management.

For some accounts opened prior to December 31, 2004, we have billing arrangements whereby the time spent on investment advisory services is taken into consideration. The value of time spent is a mutually agreed upon fee schedule and the charge is the lower of the two calculations. Additionally, Cornerstone reserves the right to enter into other billing arrangements based upon a flat fee or reduced percentage rate. All fees are subject to negotiation.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any earned, unpaid fees will be billed. Our standard contract requests authority from the client to directly debit fees from the client's account.

All fees paid to Cornerstone Wealth Management for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. A client could invest in mutual funds directly without the services of Cornerstone Wealth Management. In that case, the client would not receive the services provided by us which are designed, among other things, to assist the client in determining which mutual

fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by the advisor to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Cornerstone Wealth Management's fees are exclusive of brokerage fees, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Cornerstone's fee and Cornerstone does not receive any portion of these commissions, fees and costs.

See Item 12 for additional brokerage information.

### **Financial Planning Services:**

Cornerstone's Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client and will be charged as mutually decided. Financial planning fees will be charged in one of two ways:

1. On a one-time basis where we charge per hour. Our current hourly rate is \$300. Our one-time planning fees typically range from \$1,500 to \$15,000, depending on the nature and complexity of each client's circumstances.
2. As an annual retainer where we charge a fixed fee, typically ranging from \$3,000 to \$15,000, depending on the nature and complexity of each client's circumstances.

Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, Cornerstone will normally provide an estimate for the total cost at the start of the advisory relationship.

Cornerstone may request a retainer upon completion of our initial fact-finding session with the client; however, advance payment will never exceed \$1,200 for work that will not be completed within six months. The balance is due upon completion of the plan.

See Item 12 for additional brokerage information.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Our fees are not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client, i.e. performance-based fees.

## **Item 7 – Types of Clients**

The Firm generally provides investment advice to individuals; corporations or other business entities; trusts, estates, or charitable organizations; and qualified retirement plans.

Cornerstone does not impose a minimum account size.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Cornerstone Wealth Management uses a combination of technical and fundamental methods to assess risks and opportunities in the securities markets. Fundamental data helps us identify companies, industries, and sectors with compelling financial characteristics. Technical data helps us identify securities with attractive supply and demand characteristics.

Throughout our analysis process, we review numerous sources of information, including: financial newspapers and magazines; research materials prepared by others; corporate rating services; company press releases; and annual reports, prospectuses, and filings that are registered with the SEC.

Cornerstone seeks to invest in securities with a 12 to 24-month time horizon, both to realize preferential tax treatment on long term gains and to minimize trading expenses. We may however sell securities in a shorter time frame if they meet our appreciation objective or if the securities experience unfavorable fundamental or technical developments in the short run. Cornerstone Wealth Management may also, where suitable to specific client circumstances and situations, engage in short sales, margin transactions, and option writing, including covered options, uncovered options, or spreading transactions.

Although Cornerstone strives to achieve client objectives, we cannot guarantee that those objectives will be met. Any investment in securities involves the risk of loss, and clients



should be prepared to bear that risk. Risks involved with securities include, but are not limited to:

**Market Risk** – The risk that the securities markets will increase or decrease in value. Market risk applies to every security. Security prices may fluctuate widely over short or extended periods in response to market or economic news and conditions. Securities markets also tend to move in cycles, with periods of rising security prices and periods of falling security prices.

**Common Stock Risk** – Common stocks are subject to greater fluctuations in market value than other asset classes as a result of such factors as a company's business performance, investor perceptions, stock market trends and general economic conditions. The rights of common stockholders are subordinate to all other claims on a company's assets including debt holders and preferred stockholders.

**Small and Mid-Cap Securities Risk** – Investments in the securities of small and mid-cap companies may be riskier than investments in the securities of larger, more established companies. The securities of smaller companies may trade less frequently and in smaller volumes, and as a result, may be less liquid than securities of larger companies. In addition, smaller companies may be more vulnerable to economic, market and industry changes. As a result, share price changes may be more sudden or erratic than the prices of other equity securities, especially over the short term. Because smaller companies may have limited product lines, markets or financial resources or may depend on a few key employees, they may be more susceptible to particular economic events or competitive factors than large capitalization companies.

**Debt Securities Risk** – Debt securities are subject to credit risk, interest rate risk and liquidity risk. Credit risk is the risk that the issuer or guarantor of a debt security will be unable or unwilling to make timely payments of interest or principal or to otherwise honor its obligations. Interest rate risk is the risk of loss due to changes in interest rates and time to maturity. In general, the prices of debt securities rise when interest rates fall, and the prices fall when interest rates rise. Liquidity risk is the risk that a particular security may be difficult to purchase or sell at an advantageous time or price.

**Non-U.S. Securities Risk** – Investments in securities issued by entities based outside of the United States involve risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and non-U.S. issuers and markets are subject. These risks may result in the securities experiencing rapid and extreme value changes due to currency controls; different accounting, auditing, financial reporting and legal standards and practices; political and diplomatic changes and developments; expropriation; changes in tax policy; a lack of

available public information regarding non-U.S issuers; greater market volatility; a lack of sufficient market liquidity; differing security structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in issuers located in developing and emerging countries, and in issuers in more developed countries that conduct substantial business in such developing and emerging countries. Fluctuations in the exchange rates between currencies may negatively impact an investment in non-U.S. securities. Investments in securities issued by entities domiciled in the U.S. may also be subject to many of these risks.

**Open-End Fund, Closed-End Fund, and Exchange-Traded Fund (ETFs) Risk –**

Investments in securities of open-end funds, closed-end funds and exchange-traded funds include the risks previously mentioned: Market Risk; Common Stock Risk; Small and Mid Cap Securities Risk; Debt Securities Risk; and Non-U.S. Securities Risk. There is also the risk that the Fund (open-end, closed-end and ETF) may not achieve its investment objective or execute its investment strategy effectively, which may have an adverse impact on the Fund's performance. In addition, because closed-end funds and ETFs trade on the secondary market, their shares may trade at a premium or discount to the actual net asset value of its portfolio securities and their potential lack of liquidity could result in greater volatility.

**Non-Diversification Fund Risk** - A non-diversified fund may be subject to greater risk than a diversified fund because changes in the financial condition or market assessment of a single issuer or sector may cause greater fluctuation in the value of a non-diversified fund's shares. Lack of broad diversification may also cause a non-diversified fund to be more susceptible to economic, political or regulatory events than a diversified fund.

**Risks Associated with Investing in Options and Derivatives** - The prices of many derivative instruments, including many options and swaps, are highly volatile. The value of options and swap agreements depend primarily upon the price of the securities, indexes, commodities, currencies or other instruments underlying them. Price movements of options contracts and payments pursuant to swap agreements are also influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies or other assets. Accordingly, options on highly volatile securities, currencies or other assets may be more expensive than options on other investments.

If a put or call option purchased on behalf of a client account by Firm were permitted to expire without being sold or exercised, the client account would lose the entire premium it

paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying instrument or asset caused by rising interest rates or other factors. If this occurred, the option could be exercised, and the underlying instrument or asset would then be sold on behalf of the client account at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying instrument or asset caused by declining interest rates or other factors. If this occurred, the option could be exercised, and the underlying instrument or asset would then be sold on behalf of the client account at a lower price than its current market value.

**Option Writing and Covered Option Writing:** Selling or “writing” an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller being obligated to either settle the option in cash or deliver the underlying asset. If the option is “covered” by the seller holding a corresponding position in the underlying asset, the risk may be reduced substantially. For example, if the purchaser of the option chooses to exercise, the seller may deliver the asset using the existing position. However, if the option is not covered, the risk of loss is unlimited. In the event the option is exercised, the seller must acquire the asset in the open market (potentially at a significant loss) and deliver it to the rightful owner of the contract.

**Short Selling:** When deemed appropriate by the Firm, it will sell securities short on behalf of client accounts. Short selling involves the sale of a security that the client account does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the client account must borrow securities from a third-party lender. The client account subsequently returns the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by purchasing securities in the open market. The client account must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains his right to receive interest and dividends accruing to the securities.

**Risks Associated with Leverage:** Generally Firm does not use leverage. However, in the event that Firm determines that leverage is appropriate for a client account. Firm may use

borrowed funds and/or investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent Firm purchases securities for a client account with borrowed funds, the account's net assets will tend to increase or decrease at a greater rate than if borrowed funds are not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of an account. If the interest expense on borrowings were to exceed the net return on the investments made with borrowed funds, Firm's use of leverage would result in a lower rate of return than if an account was not leveraged.

If the amount of borrowings outstanding for a client account at any one time is large in relation to such Account's capital, fluctuations in the market value of the account will have disproportionately large effects in relation to the account's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the net asset value of a client account to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies borrowed fails to cover their cost to a client account, the net asset value of the account will generally decline faster than would otherwise be the case.

Certain of Firm's trading and investment activities may be subject to U.S. Federal Reserve Board ("FRB") margin requirements, which are computed daily. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a customer. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a "margin call" on the customer is made. If the customer does not deposit additional funds with the broker to meet the margin call within a reasonable time, the customer's position may be closed out. In the event of a precipitous drop in the value of the client account managed by Firm, Firm might not be able to liquidate assets quickly enough, in the client's account, to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring losses. With respect to Firm's trading activities on behalf of a client account, the account, and not Firm, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Clients

should be aware that an investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

**Other Risks** – Other risks that may have an adverse impact on the valuation of securities include, but are not limited to, such things as political unrest; war or warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; acts of God or natural disasters including, but not limited to, hurricanes, tornadoes, earthquakes or tsunamis, or; acts of terrorism, insurrection, rebellion, revolution or action taken by governmental authority in hindering or defending against any of these.

## **Item 9 – Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of them or the integrity of their management. Cornerstone has no disciplinary information applicable to this Item to disclose.

## **Item 10 – Other Financial Industry Activities and Affiliations**

Cornerstone Wealth Management has no other financial industry activities or affiliations that create a material conflict of interest.

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

Cornerstone Wealth Management acts on behalf of our clients as an agent to manage securities transactions. We will, at times, buy or sell for our own personal accounts, securities that we also recommend to our clients. Some of our personal accounts are, in fact, managed side-by side with client accounts and blocked together with client accounts. All accounts included in such block trades receive pro rata pricing.

Cornerstone has adopted a Code of Ethics expressing our commitment to ethical conduct. Cornerstone Wealth Management's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth the Firm's practice of supervising the personal securities transactions of supervised persons with access to client information. It is the

policy of the Firm that no person employed by Cornerstone Wealth Management shall prefer his or her own interest to that of an advisory client.

To supervise compliance with its Code of Ethics, Cornerstone requires that anyone associated with this advisory practice with access to advisory recommendations provide annual securities holdings reports and quarterly securities transaction reports to the firm's Chief Compliance Officer. Cornerstone requires such access persons to also receive approval from the Chief Compliance Officer prior to investing in any IPO's or private placements (limited offerings).

Cornerstone requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. The Firm's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to discipline.

Cornerstone Wealth Management will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

## **Item 12 – Brokerage Practices**

We recommend TD Ameritrade Institutional, a Division of TD Ameritrade, Inc. ("TD Ameritrade,") member FINRA/SIPC, as a broker-dealer and account custodian. TD Ameritrade is an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Cornerstone Wealth Management receives some benefits from TD Ameritrade through its participation in the program.

For clients who agree to custody assets at TD Ameritrade, we may exercise discretionary authority to determine the brokers used and the commissions paid for specific securities transactions within such accounts. Our overriding objective in effecting portfolio transactions is to obtain the best combination of price and execution for clients. We seek to effect each transaction at a price and commission that provides the most favorable total cost or proceeds reasonably attainable under the circumstances. Cornerstone Wealth Management may consider various factors when selecting a broker or dealer, including, but not limited to, the nature of the portfolio transaction (including the offering of certain securities not available through other dealers), the size of the transaction, the broker's reliability, the quality of the broker's execution services, commission rates, the execution quality, clearing and settlement capabilities of the broker or dealer, the desired timing of the transactions, confidentiality, and under appropriate circumstances the general

brokerage (execution-related) and research services that are provided. Clients should be aware, however, that based on the size and nature of client transactions, we infrequently trade through brokers other than TD Ameritrade. As a part of your custodial agreement with TD Ameritrade, your account would be charged a separate fee for trading at another broker the imposition of which would negate any available price improvement.

Clients who direct the use of other brokers should understand that the advisor will execute all of their transactions through the directed broker, will not seek better execution from other brokers and cannot negotiate various commission rates among additional brokers. Clients who direct the use of broker custodians other than TD Ameritrade will not have transactions aggregated with transactions in accounts custodied at TD Ameritrade and may therefore receive different transaction execution prices for trades other than mutual funds.

Clients may incur transaction costs in addition to any commissions charged by the broker-dealer when trades in over-the-counter securities are effected on their behalf through the broker-dealer on an agency basis, and broker custody of client assets may limit or eliminate the client's ability to obtain best price and execution in transactions in over-the-counter securities.

Whenever possible, Cornerstone will aggregate client trades in the same security. When trading the same security for multiple clients on the same day, we will generally allocate such trades on an equal per share price. Cornerstone's account review process typically covers accounts on a rotational basis with separate reviews for particular circumstances, such as cash flow or other client needs. To the extent that we may be investing clients in a particular security, the Firm will generally invest based on client objectives and cash availability. Cornerstone may make a decision to sell a security in part or as an entire position across all accounts based on its analysis of the security, pursuant to client objectives.

### **Financial Planning Services:**

Cornerstone's financial planning practice, due to the nature of its business and client needs, does not include blocking trades, negotiating commissions with broker-dealers, or obtaining volume discounts, nor necessarily obtaining the best price. Clients will be required to select their own broker-dealers and insurance companies for the implementation of financial planning recommendations. Cornerstone may recommend any one of several brokers. Cornerstone clients must independently evaluate these brokers before opening an account. The factors considered by Cornerstone when making this recommendation are the broker's ability to provide professional services, Cornerstone's experience with the broker, the broker's reputation, and the broker's financial strength,

among other factors. Cornerstone's financial planning clients may use any broker or dealer of their choice.

### **Item 13 – Review of Accounts**

Accounts are reviewed periodically (at least quarterly) by our portfolio managers and securities positions receive continuous management.

We generally provide accounts over \$500,000 in managed assets with written evaluations on their portfolios at least semi-annually. Accounts over \$1,000,000 in managed assets may receive written evaluations on a more frequent basis. These written evaluations include security description, date of purchase, cost basis (if available), current market value and unrealized gain or loss.

#### **Financial Planning Services:**

Financial Planning accounts will be reviewed, as contracted for at the inception of the relationship.

Financial Planning clients will receive reports, as contracted for at the inception of the relationship.

### **Item 14 – Client Referrals and Other Compensation**

Cornerstone Wealth Management participates in the TD Ameritrade Institutional program for registered investment advisors. TD Ameritrade Institutional is a division of TD Ameritrade offered to independent investment advisors. This network program allows us to receive daily updates of transactions and positions within client accounts.

As a participant in TD Ameritrade's Institutional network program, Cornerstone Wealth Management receives services and research from TD Ameritrade. There is no direct link between Cornerstone's participation in the program and the investment advice it gives to its clients, although Cornerstone receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. Benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees



deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; discounts on compliance, marketing, research, technology, and practice management products or services provided by third party vendors. Some of the products and services made available by TD Ameritrade through the program may benefit Cornerstone but may not benefit its client accounts, may only benefit some of Cornerstone Wealth Management's clients, or may benefit clients not custodied with TD Ameritrade. Products or services may assist Cornerstone in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Cornerstone Wealth Management manage and further develop its business enterprise. These described benefits received by the Firm or its personnel through participation in the institutional program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

### **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Cornerstone urges you to carefully review such statements and compare such official custodial records to the written evaluations that we may provide to you. Our written evaluations may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

Cornerstone Wealth Management accepts only discretionary accounts. Cornerstone's authority is set forth in a client agreement. For discretionary accounts, we have the authority to determine which securities and the amount of securities to be bought or sold.

### **Item 17 – Voting Client Securities**

Cornerstone Wealth Management does not generally accept authority to vote proxies on behalf of advisory clients. The firm may offer assistance as to proxy matters upon a client's request, but the client always retains the proxy voting responsibility. In limited circumstances (typically only when Nick Dionisos serves as a trustee for an account), this trustee role will include the authority to vote proxies for accounts. When Nick has discretion to vote client proxies, he will vote those proxies in the best interest of clients and in accordance with our established policies and procedures. Clients may obtain a copy of

our complete proxy voting policies and procedures by contacting Kaye O'Boyle directly. Clients may request, in writing, information on how proxies for his/her shares were voted.

Our services do not include advising or acting on behalf of clients in legal proceedings involving companies whose securities are held or previously were held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements.

## **Item 18 – Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about their financial condition. Cornerstone has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.