

# Form ADV Part 2A: Firm Brochure

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**Cornerstone Trust Management Services LLC**  
**3331 Street Road, Suite 200**  
**Bensalem, PA 19020**

**Firm Contact**

Lorena Trujillo – Chief Compliance Officer  
(215) 826-2865  
[ltrujillo@stonemor.com](mailto:ltrujillo@stonemor.com)

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This brochure provides information about the qualifications and business practices of Cornerstone Trust Management Services LLC (“Cornerstone”). Cornerstone is registered as an Investment Adviser with the United States Securities and Exchange Commission (“SEC”). Registration with the SEC alone does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at (215) 826-2800 or [aso@stonemor.com](mailto:aso@stonemor.com). The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Additional information about Cornerstone is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 - MATERIAL CHANGES**

There are no material changes in this brochure from the last annual updating amendment on 02/23/2022 of Cornerstone Trust Management Services LLC. Material changes relate to RIA Name Name Advisory, LLC's policies, practices or conflicts of interests.

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#### **ITEM 4 - ADVISORY BUSINESS**

Cornerstone Trust Management Services LLC (“Cornerstone”) commenced its investment advisory business in May of 2014. Cornerstone is a wholly owned indirect subsidiary of StoneMor Partners L.P. (“StoneMor L.P.”), formerly a publicly traded limited partnership, whose controlling partner, StoneMor Inc., is a Delaware corporation (“StoneMor”). Prior to its statutory conversion effective December 31, 2019, StoneMor was a Delaware limited liability company known as StoneMor GP LLC. StoneMor is a leading provider of funeral and cemetery merchandise and services and burial spaces in the United States and Puerto Rico. Those merchandise and services and burial spaces are provided, and the cemeteries and funeral homes are owned and operated, through entities that are indirectly owned, controlled and/or managed by StoneMor. As applicable, “StoneMor” as used hereafter refers to StoneMor Inc. and its subsidiaries and affiliates.

Cornerstone’s sole direct owner is Cemetery Management Services, L.L.C., whose sole direct owner is Henlopen Memorial Park Subsidiary LLC, whose sole direct owner is Cornerstone Family Services of West Virginia Subsidiary, Inc., whose sole direct owner is Cornerstone Family Services of West Virginia LLC, whose sole direct owner is StoneMor Operating LLC, whose sole direct owner is StoneMor Partners L.P. The sole general partner of StoneMor Partners L.P. is StoneMor and the sole limited partner of StoneMor Partners L.P. is StoneMor LP Holdings, LLC, a Delaware limited liability company of which StoneMor is the sole member.

StoneMor and Cornerstone moved their corporate offices from Trevoise, Pennsylvania to Bensalem, Pennsylvania in February 2021.

StoneMor has a significant amount of assets in preneed merchandise and services trust and escrow account(s) and perpetual care trust account(s) (the “Trusts”). The funds in preneed merchandise and services trust and escrow account(s) are generally payable to StoneMor upon delivery of the merchandise and performance of the services to which they pertain. The income from the perpetual care trust account(s) is generally payable to StoneMor to provide perpetual care to the cemeteries to which they pertain. The purpose of Cornerstone’s investment advisory business is to provide investment advisory and other services to the banking financial institution trustee and escrow agents of such trusts and escrow account(s) (the “Trustee”). Certain of the Trusts, acting through the Trustee, have formed pooled investment vehicles (“Pooled Vehicles”) which the Trusts, acting through the Trustee, manage and to which they contribute assets of the Trusts for pooled investment to enhance their respective investment opportunities and permit them to obtain the benefits of strategic investment and collective management of their assets. The investment advisory services Cornerstone provides to the Trustee includes providing non-discretionary advice regarding the Trusts’ investments through these Pooled Vehicles.

The Trustee desiring such services will contract with Cornerstone to provide non-discretionary investment advisory advice, trust and escrow account accounting, trust and escrow account oversight, trust and escrow account performance monitoring and/or other ancillary functions covering StoneMor’s trust and escrow account assets. Cornerstone will subcontract certain investment advisory functions to other advisors, and has engaged Cambridge Associates, LLC,

("Cambridge"), Goldman Sachs and Axar Capital Management, LP ("Axar," and together with Goldman Sachs and Cambridge, the "Sub-Advisors") as sub-advisors to assist Cornerstone in providing such services to the Trustee. The services provided include non-discretionary investment advice, asset allocations and benchmarks, performance monitoring, market overviews and outlooks, risk and exposure, and trust and escrow fund summaries. Trust and escrow account investment data management and reporting are subcontracted with OroSolutions LLC. Trust and escrow accounting services and ancillary functions currently are subcontracted with StoneMor Operating LLC (or its designated affiliate(s)).

As set forth hereafter in the Methods of Analysis, Investment Strategies, and Risk of Loss section of this Brochure, Cornerstone will tailor its advisory services to the varying purposes of the preneed merchandise and services trusts and escrows (e.g., to preserve funds to pay for future delivery of merchandise and performance of services) and perpetual care trusts (e.g., to generate income for perpetual care of cemeteries). The Trustee may impose restrictions on investments in certain securities.

The composition of the trust and escrow account funds is dependent upon the investment goals of the underlying trust and escrow account(s), as well as state law mandating such trust(s) and escrow account(s), and the funds may be comprised of one or more of the following security types or other types of investments mandated or permitted by state law governing such trust and escrow account(s):

- Money market funds that invest in low risk short term securities;
- Publicly traded mutual funds that invest in underlying debt securities;
- Publicly traded mutual funds that invest in underlying equity securities;
- Equity investments that are currently paying dividends or distributions, including real estate investment trusts, master limited partnerships and global equity securities;
- Fixed maturity debt securities issued by various corporate entities;
- Fixed maturity debt securities issued by the United States government and United States government agencies;
- Fixed maturity debt securities issued by State and local governmental agencies;
- Hedge funds and private credit funds; and
- Private investments.

As of February 28, 2023, Cornerstone had approximately \$1,004,937,600 in regulatory assets under management, all on a non-discretionary basis. All investment decisions regarding such

assets are ultimately made by the respective Trustee of the trust and escrow account funds and not by Cornerstone.

#### **ITEM 5 - FEES AND COMPENSATION**

Cornerstone is customarily compensated on the basis of fees calculated as a percentage of assets under management. Cornerstone's typical annual fees are 1.5% of assets under management and are detailed in the investment advisory agreements between Cornerstone and the Trustee. All such fees are subject to negotiation with the respective Trustee. Cornerstone's fees are typically assessed and payable quarterly in arrears. Fees are not deducted by Cornerstone from trust and escrow funds but are billed by Cornerstone to the Trustee for payment by the Trustee. Cornerstone is not responsible for valuing the securities held in the Trusts or the Pooling Vehicles; valuation is the responsibility of the Trustee. In the event that a Trustee chooses to cancel their advisory agreement with Cornerstone before the end of a billing period, any prepaid fees will be prorated through the end of the period and refunded by Cornerstone to the Trustee.

Sub-advisory fees of Axar, Cambridge and Goldman Sachs, third-party servicing fees of OroSolutions LLC and StoneMor Operating LLC (or its designated affiliate(s)), as well as certain administrative and recordkeeping expenses associated with Cornerstone's services to the Trustee, will generally be paid by Cornerstone out of the fees received by Cornerstone from the Trustee. Custodial fees, brokerage fees and certain other third-party fees are paid directly by each Trustee to such third-party provider (Please see Item 12 for further information on Cornerstone's Brokerage Practices). Cornerstone does not receive any fee or commission from the sale of investment products that Cornerstone recommends to the Trustee, nor does Cornerstone participate in wrap fee programs. Providing investment advisory services on a non-discretionary basis to the Trustee regarding the trust and escrow fund assets on a fee basis is Cornerstone's primary business.

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

Cornerstone's fees are based on the value of portfolio assets at the end of each calendar quarter. Cornerstone does not receive any fees or other compensation based upon the investment performance of account(s). As a result, none of the Cornerstone clients pay Cornerstone or its supervised persons a performance-based fee.

#### **ITEM 7 - TYPES OF CLIENTS**

Cornerstone provides investment advisory services on a non-discretionary basis to the banking financial institution Trustee managing the Trusts for StoneMor. These trusts and escrow account(s) may include purpose-related trust and escrow account(s) and common trust and escrow account funds made up of purpose-related trusts and escrow account(s).

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

Cornerstone, with the assistance of its third-party Sub-Advisors and in coordination with the Trust Committee, develops written investment strategies and objectives for funds held in preneed merchandise and services trusts and escrows and perpetual care trusts, specified in investment policy statements setting forth expectations, objectives, tolerances for risk and guidelines in the investment of trust and escrow assets, setting forth a disciplined and consistent structure for managing all trust and escrow assets based upon a long-term asset allocation strategy, which is diversified across asset classes, investment styles and strategies. This structure is intended to meet the stated objectives within specified tolerances for risk and variability. This structure also includes ranges around the target allocations allowing for adjustments when appropriate to reduce risk or enhance returns. It further includes guidelines for the selection of investment managers and vehicles through which to implement the investment strategy.

The investment policy statements provide benchmarks for each investment manager. These guidelines control the level of overall risk and liquidity assumed in each portfolio. Cornerstone appoints one or more third-party Sub-Advisors to oversee the specific investment managers and advise Cornerstone. The investment policy statements establish criteria to monitor, evaluate and compare the performance results achieved by the overall trust and escrow portfolios and by the investment managers. This allows Cornerstone to compare the performance results of the trusts and escrows to Cornerstone's objectives and other benchmarks, including peer performance, on a regular basis.

Cornerstone's investment guidelines are based on relatively long investment horizons, which vary with the type of trust and escrow. The strategic asset allocation of the trust and escrow portfolios is also based on this longer-term perspective. However, in developing investment policy, Cornerstone considers the potential negative impact of significant short-term declines in market value. The intent is to maintain consistent values in the portfolios, with a strategy intended to maximize returns and earnings without experiencing overall declines in value below stated objectives. In order to consistently strive to achieve the stated return objectives within stated tolerances for risk, Cornerstone uses a strategy of allocating appropriate portions of the portfolios to a variety of asset classes with attractive risk and return characteristics, and low to moderate correlations of returns.

The primary risks related to the assets in the perpetual care trusts are possible reductions to the income available for distribution to StoneMor to defray cemetery maintenance costs. The primary risks related to preneed merchandise and services trust and escrow assets are declines in fair value, both temporary and other- than-temporary, which may ultimately impair the amounts of distributions to StoneMor for merchandise delivered and services performed.

Managing the cash flow associated with the release of trust and escrow assets and investment income is a critical component of Cornerstone's strategy. Cornerstone's investment strategy reflects the fact that the release of trust and escrow assets and the resultant cash flow is critical to meeting investment goals and liquidity needs. Accordingly, Cornerstone sets such strategy to balance the potential for return with the need to maintain asset value. Cornerstone mitigates

this risk by recommending that sufficient portions of trust and escrow assets are invested in cash and cash equivalents that do not have significant risk to principal. Cornerstone can then manage trust and escrow assets so that released amounts are liquidated from this pool as opposed to any pool of assets that are currently valued below cost.

In summary, Cornerstone's overall investment approach is intended to generate strong long-term investment returns without assuming undue risk, while ensuring that management of the preneed merchandise and services trust and escrow account(s) and perpetual care trust account assets are in compliance with state laws. Cornerstone's approach is conservative in nature, however, risk is inherent in any investment program and, as a result, the investment returns in trust and escrow account assets will fluctuate and assets may lose value.

#### **ITEM 9 - DISCIPLINARY INFORMATION**

As detailed on Form ADV, Part 1, in December, 2019, two entities affiliated with Cornerstone, StoneMor L.P. and its general partner, then known as StoneMor GP LLC ("StoneMor GP"), entered into an Order with the SEC with respect to alleged violations of the reporting, books and records, internal accounting controls and related provisions of the federal securities laws that occurred prior to 2017. Pursuant to the terms of the Order, without admitting or denying the findings of the Order, (i) StoneMor L.P. and StoneMor GP consented to a cease and desist order with respect to violations of Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder, and (ii) StoneMor GP agreed to pay a civil penalty of \$250,000. The Order contains no allegation or admission of any wrongdoing by Cornerstone. Also as detailed in Form ADV Part 1, there are currently two civil actions pending against Cornerstone Affiliated Persons.

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

Neither Cornerstone nor its management persons are registered or have an application pending to register as a broker-dealer or registered representative of a broker-dealer.

Neither Cornerstone nor its management persons are registered or have an application to register as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Mr. Andrew Axelrod currently serves as Chairman of StoneMor's Board of Directors (the "Board"), and until February 1, 2021 served as the Chairman of the StoneMor Board's Trust and Compliance Committee ("Trust Committee"). As described in Item 4 above, StoneMor is the indirect owner of Cornerstone. Mr. Axelrod is also a Principal of Axar Capital Management, LP, an investment adviser registered with the Securities and Exchange Commission which advises pooled investment vehicles and other clients (together, "Axar Accounts"). Axar Accounts are, collectively, the largest stockholder in StoneMor and, as of March 29, 2021, own approximately 70.5% of StoneMor's outstanding common stock. Axar, on behalf of the Axar Accounts, has the right to designate three-sevenths of the members of StoneMor's Board.



Cornerstone entered into a sub-advisory agreement (“Agreement”) with Axar on February 1, 2021. Under the terms of the Agreement, Axar is a Sub-Advisor responsible for providing various services to Cornerstone relating to the assets held in the StoneMor Trusts and the Pooled Vehicles administered by the Trustee (collectively, the “Investment Assets”), including:

- Advising Cornerstone with respect to the allocation and investment of the Investment Assets on a non-discretionary basis, including providing advice concerning portfolio allocation among investment strategies;
- Overseeing other subcontractors or external managers engaged by Cornerstone to provide advice with respect to the Investment Assets;
- Providing quarterly investment performance reports to, and meeting on a quarterly basis with, the Trust Committee;
- As requested by Cornerstone from time to time, performing the tasks and responsibilities delegated by the Trust Committee to Cornerstone under the Trust Committee’s investment policy statement; and
- As requested by Cornerstone, assisting Cornerstone in performing its duties by providing general back office and administrative support to Cornerstone and, at Cornerstone’s reasonable request, the Trustee.

In connection with the execution of the Agreement, Mr. Axelrod resigned as Chairman of the Trust Committee.

Cornerstone believes that Mr. Axelrod’s roles at StoneMor, the indirect owner of Cornerstone, and Axar, a Sub-Advisor to Cornerstone, do not create material conflicts of interest between Cornerstone or Mr. Axelrod and Cornerstone’s clients, as Mr. Axelrod’s interests are aligned with the interests of Cornerstone and the Trusts. Axar, as a Sub-Advisor to Cornerstone, may from time to time make non-binding investment recommendations to Cornerstone. The non-binding investment recommendations made by Axar may from time to time include the securities of issuers in which Axar Accounts have an interest. StoneMor, the Trust Committee and Cornerstone have adopted policies designed to, among other things, mitigate potential conflicts of interests that may arise from such non-binding recommendations, and as noted above Mr. Axelrod resigned as Chairman of the Trust Committee in connection with the execution of the Agreement. Cornerstone does not recommend investments in any Axar Account.

Robert B. Hellman, Jr. resigned as a member of the StoneMor Board effective December 6, 2020.

#### **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Cornerstone has adopted a Code of Ethics which applies to all of its management and supervised persons. A copy of Cornerstone’s Code of Ethics is available to any client or prospective client

upon request. The Code of Ethics describes Cornerstone's standards of business conduct, compliance with federal securities laws and Cornerstone's fiduciary duties to its clients, among other things. Each transaction by a related person in a security also recommended for a Trustee client is separately identified and made strictly in accordance with Cornerstone's Code of Ethics. In order to manage this conflict of interest, Cornerstone's Code of Ethics requires related persons of Cornerstone to obtain prior approval from the Chief Compliance Officer or his designee before engaging in any transaction in reportable securities. Such transactions will be reviewed in the best interest of the Trustee clients and will be denied by the Chief Compliance Officer if there is a risk of potential material adverse consequences to any Trustee client.

#### **ITEM 12 - BROKERAGE PRACTICES**

Under Cornerstone's standard investment advisory agreement, the Trustee client has sole responsibility for selecting the broker to execute transactions for the trust or escrow account's portfolio. Cornerstone plays no role in the selection of broker-dealers.

#### **ITEM 13 - REVIEW OF ACCOUNTS**

Client investment portfolios, investment manager selections, other service provider selections and their individual performance are reviewed by the President of Cornerstone and by Cornerstone's Sub-Advisors, at least quarterly, or more frequently if circumstances warrant. Such circumstances may include unusual market activity, price volatility, security specific issues, impairment of investments or other changes in investment circumstances. All investment portfolios under Cornerstone's management are under diligent supervision. Detailed written reports, including asset allocation, industry diversification, yield, cost basis, market value, realized gains and losses, income, and transaction activity, prepared by Sub-Advisors, are mailed to Cornerstone's clients quarterly, or as otherwise mutually agreed.

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

Cornerstone does not have any arrangements with third party firms where Cornerstone compensates these firms for referring Trustee clients to Cornerstone. No one who is not a Trustee client of Cornerstone provides an economic benefit to Cornerstone for providing investment advice or advisory services to Cornerstone's Trustee clients.

#### **ITEM 15 - CUSTODY**

Cornerstone does not have custody of the funds or securities of any of the Trustee client trusts and escrow account(s) or any of the Pooled Vehicles in which the trusts and escrow account(s) invest. Each Trustee client acts as custodian or retains a third-party custodian to serve this role on their behalf. The custodian must generally be a qualified financial institution as required by applicable state law.

#### **ITEM 16 - INVESTMENT DISCRETION**

Cornerstone does not have discretionary authority to manage securities accounts on behalf of the Trustee clients. Each Trustee client retains full discretion with respect to individual transactions. Cornerstone typically makes general recommendations regarding asset allocations and investment managers within given portfolios, but the Trustee client is free to reject any such recommendation.

#### **ITEM 17 - VOTING CLIENT SECURITIES**

Cornerstone does not accept authority to vote client securities. Under certain custody arrangements, a Trustee client may appoint their custodian to vote proxies on their behalf. Otherwise, the Trustee client reserves the sole right to vote such proxies. Under circumstances where a Trustee client retains the right to vote their securities, they will receive the proxy materials directly from their custodian or a transfer agent. Trustee clients may contact Cornerstone by telephone or e-mail as set forth on the cover page of this brochure with questions about a particular solicitation.

#### **ITEM 18 - FINANCIAL INFORMATION**

Financial information is only required by firms that engage in certain billing practices, and Cornerstone does not engage in these practices. In any event, Cornerstone is aware of no financial circumstances that would prevent Cornerstone from meeting its contractual obligations to its clients.