

**Item 1: Cover Page****WISDOM TO LIVE & GIVE WELL**

Form ADV Part 2A

(Firm Brochure)

**Headquarters:****10 Mall Road, Suite 301****Burlington, MA 01803****Additional Office:****650 Ten Rod Road, Suite 129F****North Kingstown, RI 02852****(800) 527-1238****[www.cornerstonefm.com](http://www.cornerstonefm.com)****March 2025**

This brochure provides information about the qualifications and business practices of Cornerstone Financial Management LLC (“CornerstoneFM”). If you have any questions about the content of this brochure, please contact us at 800-527-1238 or by email at [moreinfo@cornerstonefm.com](mailto:moreinfo@cornerstonefm.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Cornerstone FM is registered as an Investment Advisor with the United States Securities and Exchange Commission (“SEC”). Registration as an Investment Advisor does not imply any level of skill or training.

Additional information about Cornerstone Financial Management LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Cornerstone Financial Management LLC is 140967.

## **Item 2: Material Changes**

This Firm Brochure provides a summary of the services of Cornerstone Financial Management LLC its fees, professionals and certain business practices and other matters.

This Item is used to provide clients with a summary of material changes to our business since our last filing of the Firm Brochure.

- Theodore Yoos sold his ownership interest in the advisor to the other two owners in equal amounts 50%/50%.
- Kevin J. Arruda has assumed the duties of the Chief Compliance Officer (CCO).
- Tamara F. Notarianni is an Investment Advisor Representative.

If you would like to receive a complete copy of the brochure, including the supplement, please contact us at 800-527-1238 or by email at [moreinfo@cornerstonefm.com](mailto:moreinfo@cornerstonefm.com)

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## **Item 4: Advisory Business**

### **Description of Advisory Firm**

Cornerstone Financial Management LLC (“CornerstoneFM” or “we/us”) is Massachusetts limited liability company, formed in 2006, and is headquartered in Burlington, Massachusetts with an additional office location in North Kingstown, Rhode Island. It is registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”). Its two principal owners are Kevin Arruda and George Newfield. In addition to Mr. Arruda and Mr. Newfield, there are two other Investment Advisor Representatives.

### **Types of Advisory Services**

#### **Ongoing Comprehensive Financial Planning**

This service involves working one-on-one with a personal financial planner over an extended period of time. By paying a fixed annual fee, billed monthly or quarterly, Clients get to work with a planner who will develop and implement their personal financial plan. The planner will monitor the plan, recommend any changes and ensure the plan is up to date.

Upon engaging us for ongoing financial planning, a Client will be taken through establishing their goals and values around money. They will be required to provide information to help complete the following areas of analysis: net worth, cash flow, insurance, employee benefit, retirement planning, charitable giving, insurance, investments, tax planning, college planning, and estate planning. Once the Client's information is reviewed, their plan will be built and analyzed, and then the findings, analysis and potential changes to their current situation will be reviewed with the Client. Clients subscribing to this service will receive a written or an electronic report, providing the Client with a detailed financial plan designed to achieve his or her stated financial goals and objectives. If a follow-up meeting is required, we will meet at the Client's convenience. The plan and the Client's financial situation and goals will be monitored throughout the year and follow-up phone calls and emails will be made to the Client to confirm that any agreed upon action steps have been carried out. Any needed updates will be implemented at that time.

#### **Investment Management Services**

When providing Investment Management Services, our firm provides continuous advice to a Client regarding the investment of Client funds based on the individual needs of the Client. Through personal discussions, the Client's goals, objectives and particular circumstances are established. Based on these discussion we develop the Client's personal investment policy with an allocation target, and manage the Client's portfolio accordingly. We will also review and discuss a Client's prior investment history, as well as family composition and background. These accounts will be managed on a discretionary basis. The specific accounts over which CornerstoneFM has discretionary authority will be identified in an Investment Policy Statement.

Additionally, we will meet with the Client on a periodic basis to discuss changes in their personal or financial situation, suitability, and any new or revised restrictions to be applied to the account.

Account supervision is guided by the stated objectives of the Client (e.g., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

We also have the capability to provide discretionary management for certain investments not held at the client's brokerage account through an Order Management System to implement asset allocation or rebalancing strategies on behalf of the client. These are primarily 401(k) accounts, 529 plans, variable annuities, and similar accounts. These accounts may also be advised on a non-discretionary basis, where we regularly review the current holdings and available investment options in these accounts, monitor the accounts, and provide recommendations to the Client with regards to rebalancing and implementing our strategies as necessary.

**Investment Management Services through the Use of Outside Managers**

In appropriate cases, CornerstoneFM will request a Client's authorization to utilize an independent Sub-Advisor ("Sub-Advisor") to invest the account in a "direct index", i.e., an investment directly in all (or a representative component) of the securities in a published index (e.g., S&P 500). Cornerstone will select the index or indexes to be utilized based on the Client's Investment Policy Statement, including any restrictions or filters which Client has selected. This arrangement enables the Sub-Advisor to manage the periodic rebalancing of the account in a tax-efficient manner. The Sub-Advisor's fee will be in addition to CornerstoneFM's fee, and will be deducted directly from the account. Cornerstone will deliver to such Clients the sub-adviser's Brochure on Form ADV 2A. CornerstoneFM will actively monitor the performance of the account.

We offer the use of outside unaffiliated managers ("Outside Managers") for certain portfolio management services. We assist Clients in selecting an appropriate allocation model, completing the Outside Manager's investor profile questionnaire, interacting with the Outside Manager and reviewing its performance. Our review process and analysis of Outside Managers is further discussed in Item 8 of this Form ADV Part 2A.

**Investment Consulting Services**

At the discretion of CornerstoneFM, certain clients may receive Investment Consulting Services for investment accounts not receiving Investment Management Services. Investment Consulting Services include an analysis and investment recommendations for those accounts. Clients receiving Investment Consulting Services are solely responsible for the implementation of our investment recommendations, and do not receive any investment performance reports for these accounts.

**Employee Benefit Plan Services**

Our firm may provide employee benefit plan services to employer plan sponsors on an ongoing basis. Generally, such services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include investment options, plan structure, and participant education.

In providing employee benefit plan services, our firm does not provide any advisory services with respect to the following types of assets: employer securities, real estate (excluding real estate funds and publicly traded REITS), participant loans, non-publicly traded securities or assets, other illiquid investments, or brokerage window programs.

**Educational Seminars and Speaking Engagements**

We may provide seminars for groups seeking general advice on investments and other areas of personal finance. The content of these seminars will vary depending upon the needs of the attendees. These seminars are purely educational in nature and do not involve the sale of any investment products. Information presented will not be based on any individual's person's need, nor does CornerstoneFM provide individualized investment advice to attendees during these seminars.

**Client Tailored Services**

Our services are tailored to the individual needs of our Clients. Clients are able to specify, within reason, any limitations they would like to place on discretionary authority as it pertains to individual securities and/or sectors that will be traded in their account. All such requests must be provided to CornerstoneFM in writing. CornerstoneFM will notify Clients if they are unable to accommodate any requests.

**Wrap Fee Programs**

We do not participate in wrap fee programs.

**Assets Under Management**

As of January 31, 2025, the Advisor had a total of \$133,685,071 of discretionary assets under management and \$1,528,519 of non-discretionary assets under management.

**Item 5: Fees and Compensation**

Below is a brief description of our fees. Clients should review their Client Contract for more detailed information.

**Ongoing Comprehensive Financial Planning**

Ongoing Comprehensive Financial Planning clients will be charged a fixed annual fee billed monthly or quarterly. The amount of the fee shall be based on the Client's personal financial circumstances, such as income and investments, and may range as high as \$2,500 per month (or up to \$7,500 per quarter). The fee is subject to a 3.0% annual increase. The Advisor shall notify the Client in writing of the adjusted fee amount at least 30 days prior to the effective date. At CornerstoneFM's discretion, the fee may be negotiated or may be waived based upon the amount of assets under management at CornerstoneFM.

**Investment Management Services**

Except as otherwise provided below, Clients receiving Investment Management Services ("IMS") will be charged a fee based on the market value of the assets under management, calculated according to the table below. IMS fees are paid in advance on a monthly or quarterly basis. The IMS fee is a blended fee and is calculated by assessing the percentage rates using the predefined levels of assets as of the last day of the previous month or quarter as shown in the table below resulting in a combined weighted fee.

Our IMS fees for new accounts are:

Account Value	Annual Advisory Fee
First level: \$0 up to \$3,000,000	1.00%, plus:
Second level: \$3,000,001 - \$5,000,000	0.85%, plus:
Third level: \$5,000,001 - \$7,500,000	0.75%, plus:
Fourth level: \$7,500,001 - \$10,000,000	0.68%, plus:
Fifth level: 10,000,001 - \$999,999,999	0.50%

For example, an account valued at \$7,000,000 would pay an effective fee of 0.89% with the annual fee of \$62,000. The quarterly fee is determined by the following calculation:  $((\$3,000,000 \times 1.00\%) + (\$2,000,000 \times 0.85\%) + (\$2,000,000 \times 0.75\%)) \div 4 = \$15,500$ .

No increase in the annual IMS fee rates shall be effective without agreement from the Client by signing a new advisory agreement or amendment to their current advisory agreement.

Please note: The value of the Client's held-away assets that are managed by CornerstoneFM are included in the Account Value.

Fee rates may be negotiable in certain cases, at our sole discretion.

**Alternative Fixed IMS Fee**

In certain cases, CornerstoneFM may negotiate a fixed fee, billed monthly or quarterly, with IMS clients who have engaged us to manage all or substantially all of their investable assets. Such arrangements shall be made at the sole discretion of CornerstoneFM. Generally, a fixed fee for Investment Management Services may range from \$5,000 to \$25,000 depending on the complexity of the client's accounts and the client's specific needs. The fee is subject to a 3.0% annual increase. The Advisor shall notify the Client in writing of the adjusted fee amount at least 30 days prior to the effective date.

**Investment Consulting Services**

Clients receiving Investment Consulting Services pay an ongoing annual fee ranging from \$1,000 to \$25,000 that is paid either monthly or quarterly, in advance. The fee is subject to a 3.0% annual increase. The Advisor shall notify the Client in writing of the adjusted fee amount at least 30 days prior to the effective date. The fee may be negotiable in certain cases at the full discretion of CornerstoneFM.

**Minimum Fee**

The minimum annual fee for combined Ongoing Comprehensive Financial Planning and Investment Management Services is \$5,000. For Clients with investment portfolios valued at less than \$500,000, the minimum fee will result in an effective annual fee rate of greater than 1.00%.

**Payment/ Termination/ Prorated Fees**

Fees may be directly debited from the Client's account, with the client's authorization. Fees may also be paid by electronic funds transfer or check.

The Client Contract or any service thereunder may be terminated by either the Client or CornerstoneFM by giving 30 days' notice in writing to the other party. Services or accounts initiated or terminated during a calendar month/quarter (as applicable) will be charged a prorated fee based on the amount of time remaining in the billing period, and any paid but unearned fees will be refunded to the Client.

**Employee Benefit Plan Services**

CornerstoneFM is compensated for employee benefit plan services by a fixed fee that is customized based on several factors including, but not limited to the amount of plan assets, number of participants, and amount of education to be provided. The fee may range from \$3,000 to \$33,000. CornerstoneFM's fee is separate from other fees for plan services, such as fees charged by custodians or third-party-administrators. Fees for this service are either paid directly by the plan sponsor or deducted directly from the plan assets by the Custodian on a quarterly basis.

**Educational Seminars/ Speaking Engagements**

Seminars and speaking engagements are offered to organizations and the public on a variety of financial topics. Fees range from free to \$10,000 per seminar, or free to \$300 per participant. Half of the fees are due at the time of engagement, and the other half is to be paid no later than the conclusion of the seminar. The fee range is based on the content, amount of research conducted, the number of hours of preparation needed, and the number of attendees.

Educational seminars and speaking engagements may be provided pro-bono at CornerstoneFM's discretion.

**Other Types of Fees and Expenses**

Our fees do not cover brokerage commissions, transaction fees, and other related costs and expenses which may 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. Mutual fund and

exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees, and commissions are in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

When an Outside Manager is used, the separate investment advisory agreement shall govern the Outside Manager's fees, billing terms and methods of payment.

We do not accept compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds.

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

We do not offer performance-based fees. We will not be compensated on the basis of a share of capital gains or upon capital appreciation of client funds (or any portion of client funds).

## **Item 7: Types of Clients**

We provide financial planning and portfolio management services to individuals, high net-worth individuals, pension and profit sharing plans, charitable organizations, and corporations or other businesses.

We do not have a minimum account size requirement.

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

### **Modern Portfolio Theory ("MPT")**

The underlying principles of MPT are:

- Investors are risk averse. The only acceptable risk is that which is adequately compensated by an expected return. Risk and investment return are related and an increase in risk requires an increased expected return.
- Markets are efficient. The same market information is available to all investors at the same time. The market prices every security fairly based upon this equal availability of information.
- The design of the portfolio as a whole is more important than the selection of any particular security. The appropriate allocation of capital among asset classes will have far more influence on long-term portfolio performance than the selection of individual securities.
- Investing for the long-term (preferably longer than ten years) becomes critical to investment success because it allows the long-term characteristics of the asset classes to surface.
- Increasing diversification of the portfolio with lower correlated asset class positions can decrease portfolio risk. Correlation is the statistical term for the extent to which two asset classes move in tandem or opposition to one another.

**Use of Outside Managers:** We may refer Clients to Outside Managers, to assist in the portfolio management process. Our analysis of Outside Managers involves the examination of the experience, expertise, investment philosophies, and past performance over a period of time and in different economic conditions. We monitor the manager's performance, underlying holdings, adherence to its strategies, concentrations, and leverage as part of our overall periodic risk assessment. Additionally, as part of our due diligence process, we survey the manager's compliance and business enterprise risks. There is no guarantee that the Outside Manager will continue to be successful in the future.

### **Passive Investment Management**



When appropriate, we practice passive investment management. Passive investing involves building portfolios that are composed of various distinct asset classes. The asset classes are weighted in a manner to achieve the desired relationship between correlation, risk, and return. Funds that passively capture the returns of the desired asset classes are placed in the portfolio. The funds that are used to build passive portfolios are typically index mutual funds or exchange-traded funds.

Passive investment management is characterized by low portfolio expenses (i.e. the funds inside the portfolio have low internal costs), minimal trading costs (due to infrequent trading activity), and relative tax efficiency (because the funds inside the portfolio are tax efficient and turnover inside the portfolio is minimal).

In contrast, active management involves a single manager or managers who employ some method, strategy or technique to construct a portfolio that is intended to generate returns that are greater than the broader market or a designated benchmark.

### **Values-Based Investing**

CornerstoneFM may utilize various socially conscious investment approaches if a client desires. CornerstoneFM may construct portfolios that utilize mutual funds, ETFs, or individual securities with the purpose of incorporating socially conscious principles into a client's portfolio. These portfolios may sometimes also be customized to reflect the personal values of each individual, family, or organization. This allows the Firm's clients to invest in a way that aligns with their personal values. CornerstoneFM may rely on mutual funds and ETFs that incorporate Environmental, Social and Governance ("ESG") research as well as positive and negative screens related to specific business practices to determine the quality of an investment on values-based merits.

Additionally, CornerstoneFM may construct portfolios of individual securities in order to provide clients with a greater degree of control over the socially conscious strategies they are utilizing. CornerstoneFM relies on third-party research when constructing portfolios of individual securities with socially conscious considerations.

### **Material Risks Involved**

All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear. Material risks associated with our investment strategies are listed below. Many of these risks apply equally to stocks, bonds, commodities, and any other investment or security. The risks described below also apply to the underlying investments in mutual funds, ETFs, variable life policies and variable annuities.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Strategy Risk:** The Adviser's investment strategies and/or investment techniques may not work as intended.

**Small and Medium Cap Company Risk:** Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the Client's portfolio.

**Turnover Risk:** At times, the strategy may have a portfolio turnover rate that is higher than other strategies. A high portfolio turnover would result in correspondingly greater brokerage commission expenses and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the account's performance.

**Liquidity Risk:** Certain securities may be less liquid (harder to sell or buy) and their prices may at times be more volatile than at other times. Under certain market conditions, we may be unable to sell or liquidate investments at prices we consider reasonable or favorable, or find buyers at any price.

**Foreign Investment/Currency Risk:** Securities or other investments of foreign issuers involve additional risks (such as risks arising from less frequent trading, changes in political or social conditions, currency risk and less publicly available information about non-U.S. issuers) that differ from those associated with investing in securities of U.S. issuers and may result in greater price volatility.

**Concentration Risk:** Certain investment strategies focus on particular asset-classes, industries, sectors or types of investment. From time to time these strategies may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Legal or Legislative Risk:** Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

**Inflation:** Inflation may erode the buying power of your investment portfolio, even if the dollar value of your investments remains the same.

#### **Risks Associated with Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Commercial Paper** is, in most cases, an unsecured promissory note that is issued with a maturity of 270 days or less. Being unsecured, the risk to the investor is that the issuer may default.

**Common stocks** may go up and down in price quite dramatically, and in the event of an issuer's bankruptcy or restructuring could lose all value. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

**Corporate Bonds** are debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on factors such as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

**Bank Obligations** including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are greatly affected by interest rates and may be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

**Municipal Bonds** are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk.

**Options and other Derivatives:** While certain derivatives, e.g., covered call options, may be used to hedge investment risk, other derivatives (e.g., index futures) may be speculative and can result in the complete loss of principal.

#### **Risks of Alternative Funds**

Alternative mutual funds or ETFs, which CornerstoneFM may utilize for certain clients when appropriate, may carry the risks described above at a heightened level, e.g., greater derivative risk, currency risk, or heightened concentration risk in a particular security or sector.

#### **Risks of Insurance Products**

In addition to the risks associated with their investment portfolios, variable life policies and variable annuities carry the risk of default by the insurance company that has issued the product and which stands behind any guarantee of payment. CornerstoneFM will only recommend insurance products backed by companies with superior financial strength ratings.

### **Item 9: Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material in the evaluation of CornerstoneFM or the integrity of CornerstoneFM's management. The Advisor along with its principal owners and employee(s) have not been disciplined by any governing authority, including any regulatory agency or any industry association of which they are licensed and/or are members.

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

#### **Recommendations or Selections of Other Investment Advisers**

As referenced in Item 4 of this brochure, CornerstoneFM recommends Clients to Outside Managers to aid in the management of their accounts. In the event we recommend an Outside Manager, please note that we do not share in their advisory fee. Our fee is separate and in addition to their compensation (as noted in Item 5 of this brochure). In addition, you will be provided a copy of the Outside Manager's Form ADV 2A, Firm Brochure, which also describes its fees. You are not obligated, contractually or otherwise, to use the services of any Outside Manager we recommend.

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

The Advisor strives to observe the highest industry standards of conduct based on its obligation as a fiduciary to its Clients. In an effort to meet this obligation, and in compliance with Investment Advisers Act rules, CornerstoneFM has adopted a written Code of Ethics (the "Code") that is applicable to all employees. Each employee will be provided a copy, and is required to acknowledge, in writing, that they have received, read, understand and will abide by, the Code, and the Advisor's Compliance Manual.

A copy of the Code of Ethics shall be provided to any client or prospective client upon request.

The Code requires that employees act in the Client's best interests and comply with all applicable laws and regulations. Employees are expected to avoid any action that is or could appear to be illegal or ethically improper. The principles outlined in the Code apply to all conduct, whether or not the conduct is also covered by more specific standards or procedures set forth in the Code, Compliance Manual, or elsewhere. Employees are required to bring any violations of the Code, actual or suspected, immediately to the attention of the Advisor's Chief Compliance Officer ("CCO"). Failure to comply with the Code may result in disciplinary action or other sanctions, including termination of employment.

The Code also places certain restrictions on the personal trading activities of employees and their immediate family members. Employees may generally engage in personal trading in open-end mutual funds, publicly traded large cap securities, and in small transactions. All other personal trades are subject to obtaining prior approval from the Chief Compliance Officer. Prior approval is also required for personal trading in securities on CornerstoneFM's restricted list and for any investment in any private offering or initial public offering.

Employees are also required to disclose their personal securities holdings annually and personal securities transactions quarterly to the Chief Compliance Officer. The CCO shall maintain current and accurate records of all personal securities transactions in which employees have a direct or indirect beneficial interest. The CCO shall also review employee trades for compliance with the Code's requirements and to assure that employees are not engaged in any trading practices which are inconsistent with our Clients' best interests.

Other material provisions of the Code, are summarized below:

*Privacy of Client Information.* All information relating to Clients' portfolios and activities, including proposed recommendations, is strictly confidential. Consideration of a particular purchase or sale for an account may not be disclosed, except to authorized persons.

*Conflicts of Interest.* Employees may not use any confidential information or otherwise take inappropriate advantage of their positions for the purpose of furthering any private interest or as a means of making any personal gain. Employees and their immediate families may not accept any benefit from clients or any person who does business with the Advisor, other than business courtesies and non-cash gifts of nominal value.

*Outside Business Activities.* No employee may engage in an outside business activity without the approval of the Chief Compliance Officer, based upon a determination that such activity would not be adverse to the interest of clients.

*Reporting of Violations.* Employees are required to promptly report all actual or potential conflicts of interest, violations of any government or regulatory law, rule or regulation, or violations of the Advisor's policies and procedures.

*Training.* Employees will receive periodic training on the Code and their ethical obligations.

*Review and Enforcement.* The CCO is responsible for ensuring adequate supervision over the activities of all persons who act on the Advisor's behalf in order to prevent and detect violations of the Code by such persons.

## **Item 12: Brokerage Practices**

CornerstoneFM is not affiliated with any bank, custodian, or broker-dealer firm ("service provider"). When engaged to provide investment supervisory services, the Advisor requires that the client open a brokerage account with the institutional services division of Fidelity Brokerage Services.

### ***Best Execution***

Consistent with our duty to obtain "best execution" on brokerage transactions, the Advisor periodically compares the performance of the brokerage firm or firms that it uses to other similar firms to assure that it is obtaining

reliable execution at competitive prices. The Advisor also considers a brokerage firm's financial strength, reputation, execution, pricing, and service. Any rebates or other revenue of any kind resulting from account transactions are the property of clients.

#### ***Soft-Dollar Arrangements***

The Advisor does not have any soft-dollar arrangements and does not contract with any broker dealer to receive soft-dollar benefits. This means that the Advisor does not receive research or gain access to industry analysts or conferences in return for paying higher commissions for trades to a particular broker dealer. The Advisor is provided access to Fidelity's trading platform at no cost, as are all other users of the platform.

#### ***Client Referrals***

All compensation paid to the Advisor is paid directly by the client and, therefore, the Advisor does not receive any additional compensation when its clients engage a recommended custodian or any other service provider.

#### ***Directed Brokerage***

CornerstoneFM will not enter into a directed brokerage arrangement involving its accounts.

#### ***Trade Aggregation***

Transactions for each client will generally be effected independently by each of the Advisor's portfolio managers. From time to time, if appropriate, the portfolio managers may coordinate their trading in a particular security and place an aggregated or "block" trade. The Advisor may (but is not obligated to) do so if it believes that the trades may obtain better execution.

### **Item 13: Review of Accounts**

CornerstoneFM will work with Clients to obtain current information regarding their assets and investment holdings and will review this information as part of our ongoing comprehensive financial planning services. CornerstoneFM does not provide specific reports to financial planning Clients, other than financial plans.

Client accounts with the Investment Management Service will be reviewed regularly on a quarterly basis. The account is reviewed with regards to the Client's investment policies and risk tolerance levels. Events that may trigger a special review would be unusual performance, addition or deletions of Client imposed restrictions, deposit or withdrawal of substantial assets, volatility in performance, or buy and sell decisions from the firm or per the Client's needs.

Clients will receive trade confirmations from the broker(s) for each transaction in their accounts as well as monthly or quarterly statements and annual tax reporting statements from their custodian showing all activity in the accounts, such as receipt of dividends and interest.

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

We do not receive any economic benefit, directly or indirectly, from any third party for advice rendered by such third party to our Clients.

CornerstoneFM may engage independent solicitors to provide client referrals. If a client is referred to us by a solicitor, this practice is disclosed to the client in writing by the solicitor and CornerstoneFM pays the solicitor out of its own funds. CornerstoneFM generally pays the solicitor a portion of the advisory fees earned for managing the account of the client that was referred. The use of solicitors is strictly regulated under applicable federal and state law. CornerstoneFM's policy is to fully comply with the requirements of the Investment Advisers Act of 1940, as amended, and any relevant state rules, as applicable.

### **Item 15: Custody**

In all cases, client assets are held by a qualified custodian. Except in the limited instances described below, the Advisor does not have custody of Clients' assets.

### **Payment of Advisory Fees from Client Accounts**

In the view of the SEC, investment advisors have "custody" of client funds if they have the ability to instruct the account's custodian to withdraw funds from the Client's account to pay the advisor's fees by directly debit advisory fees from client accounts. The Advisor is responsible for assuring that the account's independent, qualified custodian will provide account statements directly to clients at least quarterly, and that the client's statement will clearly identify the advisor's fee. Customers are advised to review all activity on their statements regularly. Clients are reminded to inform the custodian if they do not receive these statements in a timely fashion

### **Standing Letters of Authorization**

The Advisor is also deemed to have "custody" of client funds if the client has signed a standing letter of authorization ("SLOA") authorizing the Firm to make certain transfers of client funds to third parties not affiliated with the Advisor. SLOA arrangements are subject to a number of specific safeguards, including (i) the client provides a signed written instruction to the custodian that includes the third party's name, and either the address or account number to which the transfer should be directed, (ii) the client's custodian verifies the instruction and promptly provides a transfer of funds notice to the client, (iii) the client has the ability to terminate or change the instruction, (iv) the investment adviser has no authority or ability to designate or change the identity of the third party or any information about the third party, and (v) the client's custodian reconfirms the instruction annually. Standing Letters of Authorization may be modified or canceled at any time.

### **Account Statements**

Clients will be provided account statements sent directly from the accounts' custodians on a monthly or quarterly basis. Clients are strongly encouraged to compare invoices or any reports that they receive from CornerstoneFM to account statements they receive from the custodian.

## **Item 16: Investment Discretion**

Generally, the Advisor exercises investment discretion over Investment Management accounts pursuant to authority granted by the client under the investment management agreement. Such discretion is subject to the Client's Investment Policy Statement and any reasonable restrictions imposed by the Client. As discussed in Item 4 above, certain accounts not held in the Client's custodial account may be managed on a non-discretionary basis. Investment Consulting Services accounts are non-discretionary.

## **Item 17: Voting Client Securities**

As a matter of firm policy and practice, the Advisor does not have authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Proxy materials are forwarded to Clients by their custodian.

## **Item 18: Financial Information**

### *Balance Sheet*

A balance sheet is not required to be provided because the Firm does not serve as a qualified custodian and does not require prepayment of fees of more than \$1,200 and six months or more in advance.

### *Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Client Commitments*

The Firm does not have any financial impairment that will preclude it from meeting contractual commitments to Clients.

### *Bankruptcy Petition during the Past Ten Years*

Neither Cornerstone Financial Management LLC nor any of its principal owners has been subject to a bankruptcy petition during the last ten years.