

**Cornerstone Financial Services Inc**  
**Reg BI Disclosure**

We provide this Reg Best Interest Disclosure to our retail customers to inform them about the services we provide and our relationship with them. This Reg BI Disclosure addresses the scope of our relationship with you, the capacity in which we are acting, the types and scope of our services, any material limitations on our services, the fees and costs associated with your account(s) and/or transactions, and the conflicts of interest that exist for the firm and our registered representatives as it relates to the operations of Cornerstone Financial Services Inc (CFS). Additional information about CFS and our Registered Representatives (RR) may be found on FINRA's website <http://brokercheck.finra.org>

**Introduction**

Cornerstone Financial Services Inc (CFS) an independent, non-custodian broker-dealer registered with and a member of FINRA. As a broker-dealer, CFS transacts business in Investment Companies(Mutual Funds), Annuities (Variable and Variable Index) and Variable Universal Life Insurance. We operate as an introducing broker-dealer between our clients and the products offered by the Insurance and Investment Companies in which we have a Selling Agreement in place. We offer several types of accounts directly through these Insurance and Investment Companies. This accounts are Retail (Non-Qualified; Taxable) and retirement (IRA's & Roth IRA's) accounts. Our clients investments are held directly with the issuer of the security or their affiliate. CFS does not take custody of client assets.

**Our Services**

Our Registered Representatives do not make investment decisions for you or manage your account on a discretionary basis. Since we do not have discretionary investment authority, we can not buy or sell investments in your account without first obtaining your consent. Our Registered Representatives may recommend investments/account types to you, but you are responsible for making the decision whether to buy or sell investments and or set up specific accounts. Our Registered Representatives will only set-up an account, buy or sell an investments when specifically directed by you or a legal representative. You always have the ability to buy or sell investments on your own directly with the Insurance or Investment Companies without the involvement of our Registered Representatives. Our Registered Representatives are available to assist you and may periodically review your account(s) to offer subsequent recommendations. However, our RR's do not monitor your account after the securities transaction is affected for you, including investments recommended for you. Our retail and retirement services may include recommendations to these types of accounts or investments:

- Non-Qualified Mutual Fund or Annuity Accounts
- Non-Qualified Mutual Fund or Annuity Transfers or Exchanges
- IRA and Roth IRA Rollovers from defined contribution plans such as 401k's or 403b's.
- IRA and Roth IRA Transfers from another custodian.
- Variable or Indexed Annuities

CFS highly encourages our clients and potential clients to utilize independent materials and tools to help evaluate your decision if it is in your best interest to move money from corporate retirement plans (401k's, 401a's, 403b's etc) to an IRA. These plans might have lower fees, diversified investment options and other benefits that might not be available in an IRA.

### **Conflicts of Interest**

CFS and its Registered Representatives have conflicts of interest. Even though CFS does not have any proprietary investment products, we are directly compensated from investments made by our clients who purchase upfront (A share) mutual funds at the time the transaction is made. This compensation is deducted from the clients account and paid to CFS from the investment product sponsors. We are paid commissions directly from the Insurance Companies, who may or may not, have a Surrender Schedule tied to the investment. This Surrender Schedule allows the Insurance Company to recoup a percentage of the commissions paid upfront to CFS if the client closes the account prior to the end of the determined Surrender Schedule. We are paid indirectly from the investments made by customers, we receive ongoing compensation in the form of "trail" payments, for as long as the customer holds an investment. The compensation described in this disclosure is the maximum commissions we receive on an investment.

When acting in the capacity of as a broker-dealer, we are subject to the Securities Act of 1933, the Securities Exchange Act of 1934, as amended, the rules of self-regulatory organizations, such as FINRA, and applicable federal and state laws. Pursuant to the SEC's Regulation Best Interest, the firm and Registered Representative must act in your best interest, and we owe you a duty of care and loyalty. This means we must avoid conflicts of interest, at a minimum, disclose them to you. Not all of the conflicts described in this disclosure apply to a particular Registered Representative, their or our services or the products that we offer. The types and amounts of compensation the firm receives can and will change over time. You should ask your RR if you have any questions or concerns over compensation, costs, fees or conflicts of interest.

### **Commissions and Fees**

CFS does not charge any fees to the client associated with having an account at CFS. This includes but not limited to: account opening or closing fees, account maintenance fees, referral fees or minimum account funding fees. CFS does not have account asset minimum requirements, however the third party investor sponsors might have minimums. The third party investment sponsors may charge account set-up fees, annual account maintenance and reporting fees. These third-party fees vary by the investment sponsor. Please consult with the selected investment sponsors own disclosures regarding fees. CFS does not limit our investment offerings to a select group of issuers or investment sponsors. As an independent broker-dealer we are able to do our due diligence to enter into agreements with issuers or investment sponsors if we and client feel that agreement would be in the clients best interest.

CFS receives upfront commissions when it executes transactions that result in the purchase of a security. A commission, which may be called a sales load, sales charge or placement fee, is typically paid at the

time the account is funded and can reduce the amount available to invest or can be charged directly against the investment. Commissions are based on the amount of assets invested. CFS receives the commissions and shares a percentage of that commission with your Registered Representative. Commissions vary from product to product, which creates an incentive to sell a higher commission investment. The maximum commissions for the investment products offered through CFS are listed below. For more information about other commissions that apply to a particular transaction, please refer to the applicable investment's prospectus.

1. **Mutual Fund's:** The maximum upfront sales charge received by CFS is 5.75%.
2. **Annuities:** The maximum upfront sales commission received by CFS is 7.2%. This varies depending on the type of annuity purchased. (Variable, Fixed, Fixed Index, Indexed or Investment Only).
3. **Life Insurance(Fixed or Variable):** CFS may receive up to 100% of first-year premiums.

### Share Class

CFS offers only two (2) share classes with our direct mutual fund sponsors. Those share classes are Class A Shares, which is an upfront sales charge or commission and an ongoing trail on the account assets. Class C Shares, there is no upfront sales charge paid, however, there is an ongoing trail of 1% annually. This trail will continue for 8 years and then the Class C Shares will convert to Class A Shares but will only provide the smaller ongoing trail and no upfront sales charge is deducted. CFS maintains policies and procedures that allow for some mutual fund family exchanges that are allowed without additional sales charges as well as mutual fund exchanges between different investment sponsors. These policies are in place to detect and prevent excessive or unnecessary mutual fund switching. You should monitor your account and discuss with your Registered Representative any frequent mutual exchanges.

### Ongoing Compensation

CFS and the Registered Representative may also receive on-going compensation from our third party investment product sponsors in connection with investments clients make in mutual funds, annuities and life insurance. CFS and Registered Representatives receive ongoing compensation from certain investment products such as mutual funds, annuities and life insurance. This compensation (commonly known as "trails" or Rule 12b-1 fees) is typically paid from the assets of the investment product under a distribution or servicing arrangement with the investment sponsor and is calculated as an annual percentage of assets invested. The more you invest in the product, the more CFS is paid in these fees. The reverse is true as well, the less you have invested in the product, the less CFS is paid in these fees. Below is the range of fees received by CFS from the products offered through CFS:

1. **Mutual Funds:** The ongoing payment depends on Share Class but is typically between .25%-1% of assets annually.
2. **Annuities:** CFS receives trail payments from an annuity issuer for the sale and servicing of the policy. The amount and timing of the trail payments vary depending on the agreement between CFS and the issuer as well as the type of policy purchased. The maximum trail CFS receives is 1.25%.

- 3. Life Insurance:** CFS receives trail payments from the life insurance issuer for the sale and servicing of the policy. The amount and timing of the trail payments vary depending on the agreement between CFS and the insurance issuer as well as the type of policy purchased. The maximum trail CFS receives is 1%-25% of subsequent premiums.

Cornerstone Financial Services Inc and our Registered Representatives do not participate in Revenue Sharing Payment programs with our investment sponsors. CFS and our Registered Representatives may receive non-cash compensation gifts valued under \$100 annually. These non-cash items maybe in the form of but not limited to: meals, due diligence trip or educational meeting reimbursement, event tickets and or investment sponsor promotional items.

### **Investment Product Risks**

The recommendations provided by either CFS or your Registered Representative are based on various factors that change with time and economic conditions, so they are only effective at the time of the recommendation. While our firm and our Registered Representatives take reasonable care and your best interest in developing and making recommendations based on the information, goals, risk tolerance and parameters you provide in helping to make that recommendation. Investments and Securities involve risk, and you may lose money. There is no guarantee that you will meet your investment goals or that the recommended investment strategy will perform as anticipated.

Investing involves the risk of losing your initial investment (principal). Certain asset classes (small-cap funds) and certain markets (foreign emerging markets) are considered generally riskier than others. Certain investment vehicles carry additional risks (interest rate, market valuations, default and credit quality risk etc) or the closing of or inability to pay claims by an Insurance Issuer. Diversification and Asset Allocation strategies do not ensure a gain and do not protect against losses in declining markets. You should review all prospectus before making an investment decision so you understand the risks associated with that particular investment. It is important to consider and understand the potential risks that could impact your investment strategy(s) that are being recommended to you. CFS strongly recommends discussing with your Registered Representative those risks and your concerns for those risks prior to implementing any recommendation.

### **Contact Information**

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