
WH Cornerstone
Investments



P.O. Box 207,
Duxbury, MA 02331

Form ADV Part 2A – Firm Brochure

888.797.9009

Dated March 21st, 2019

This Brochure provides information about the qualifications and business practices of W.H. Cornerstone Investments, Inc., (“Firm”). If you have any questions about the contents of this Brochure, please contact us at 888.797.9009. 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. W.H. Cornerstone Investments, Inc. is registered as an Investment Adviser with the State of Massachusetts. Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about W.H. Cornerstone Investments, Inc. is available on the SEC’s website at www.adviserinfo.sec.gov which can be found using the firm’s identification number 119725.

Item 2: Material Changes

Item 5 Fees and Compensation

The fixed fee range for Financial Planning and Consulting has been updated to \$500 - \$30,000.

The monthly fee range for Financial Planning and Consulting has been updated to \$100 - \$2,000 per month.

The fee range for Educational Seminars has been updated to \$500 - \$10,000.

Item 3: Table of Contents

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Item 4: Advisory Business

Description of Advisory Firm

W.H. Cornerstone Investments, Inc. provides financial planning, consulting and investment management services to its advisory clients. The Firm is owned by its Principals, William M. Harris and Paula S. Harris, and has been conducting business as an investment adviser since 1998.

W.H. Cornerstone Investments, Inc. seeks to provide clients with a plan of action that gets them excited about the future, always with an eye toward the overall vision and individual needs of the client. The Firm works with clients on a regular basis to define their goals, track their progress and fine-tune their approach to achieving those goals. The Firm's unique perspective and clarity of purpose allows it to produce an objective, concrete plan based on a thorough analysis of a client's overall circumstances. W.H. Cornerstone Investments, Inc. begins any relationship by gaining a holistic understanding of a client's entire state of affairs. With this information, the Firm aims to develop a comprehensive plan that will be stable enough to stay true to a client's specific goals, yet flexible enough to revisit and revise as needs evolve and conditions change.

Prior to engaging W.H. Cornerstone Investments, Inc. to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with the Firm, setting forth the terms and conditions of the advisory relationship (collectively the "Agreement").

W.H. Cornerstone Investments, Inc. has approximately \$93,475,856 of assets under management as of December 31, 2018. \$88,380,294 of these assets is managed on a discretionary basis, and \$5,095,562 is managed on a non-discretionary basis.

While this brochure generally describes the business of W.H. Cornerstone Investments, Inc., certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of W.H. Cornerstone Investments, Inc.'s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on the Firm's behalf and is subject to its supervision or control.

Types of Advisory Services

Financial Planning and Consulting Services

W. H. Cornerstone Investments, Inc. may provide its clients with a broad range of comprehensive financial planning and consulting services. Each engagement is designed to address the specific needs of the individual client and may include any or all of the following functions:

- Investment Planning
- Retirement Planning
- Asset Allocation
- Business Planning
- Estate Planning
- Insurance Planning
- Risk Management
- Lifestyle Analysis

Financial planning and consulting services are offered as either a stand-alone service or as part of a comprehensive wealth management service (as described below).

In performing its services, W.H. Cornerstone Investments, Inc. is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. W.H. Cornerstone Investments, Inc. may recommend the services of itself, and/or other professionals to implement its recommendations.

A potential conflict of interest exists if W.H. Cornerstone Investments, Inc. recommends its own services, such as insurance or investment management. The client is under no obligation to act upon any of the recommendations made by W.H. Cornerstone Investments, Inc. under a financial planning or consulting engagement or to engage the services of any such recommended professional, including W.H. Cornerstone Investments, Inc. itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of the Firm's recommendations. Clients are advised that it remains their responsibility to promptly notify W.H. Cornerstone Investments, Inc. if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising W.H. Cornerstone Investments, Inc.'s previous recommendations and/or services.

Investment Management and Wealth Management Services

Clients can engage W.H. Cornerstone Investments, Inc. to manage all or a portion of their assets on a discretionary or non-discretionary basis. In addition, the Firm may provide clients with wealth management services which could include a broad range of financial planning and consulting services as well as discretionary and/or non-discretionary management of investment portfolios.

W.H. Cornerstone Investments, Inc. primarily allocates clients' investment management assets among mutual funds, exchange-traded funds ("ETFs") and individual debt and equity securities. W.H. Cornerstone Investments, Inc. may allocate or make recommendations regarding the securities components of variable annuities and variable life insurance contracts in accordance with the investment objectives of the client. In addition, W.H. Cornerstone Investments, Inc. may recommend that clients who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended, invest in private placement securities, which may include debt, equity and/or pooled investment vehicles when consistent with the clients' investment objectives. When appropriate, W.H. Cornerstone Investments, Inc. will also research and offer advice pertaining to other types of investments held in client portfolios.

The Firm is sometimes called upon to render investment management services to clients relative to their variable life/annuity product holdings, individual employer-sponsored retirement plans, education savings accounts ("529 plans"), and/or other savings and investment vehicles. Such assets are often held in accounts not located at the client's primary custodian. In these instances, W.H. Cornerstone Investments, Inc. will either direct or recommend the allocation of said assets among the specific investment options made available through the respective plan, product, or offering.

W.H. Cornerstone Investments, Inc. seeks to tailor its advisory services to the individual client, endeavoring to properly match asset allocation decisions with each client's respective investment objectives and risk tolerance. While certain common positions may be held across many of the Firm's client portfolios, each client's specific circumstances (appropriate asset allocation, tax status, suitability, etc.) are taken into consideration during the investment planning process. The Firm evaluates these factors while remaining mindful of the client's other less tangible concerns or issues. Accordingly, clients are urged to promptly notify W.H. Cornerstone Investments, Inc. regarding changes in their financial situations or investment objectives, and to alter or impose additional restrictions upon the Firm's management services.

The Firm does not provide securities brokerage services or serve as the sponsor or manager to a wrap fee program (i.e., an investment program where advisory and brokerage services are bundled together under a single fee).

Educational Seminars

We may provide educational seminars on an “as announced” basis 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 one individual person’s needs, nor does W. H. Cornerstone Investments, Inc. provide individualized investment advice to attendees during these seminars.

Item 5: Fees and Compensation

Please note, unless a client has received the firm’s disclosure brochure at least 48 hours prior to signing the investment advisory contract, the investment advisory contract may be terminated by the client within five (5) business days of signing the contract without incurring any advisory fees and without penalty. How we are paid depends on the type of advisory service we are performing. Please review the fee and compensation information below.

Financial Planning and Consulting Fees

W.H. Cornerstone Investments, Inc. may charge a fixed fee for financial planning and consulting services or may include these as part of its overall asset-based fee (as described below). These fees are negotiable, but generally range from \$500 to \$30,000, depending upon the level and scope of the services and the professional rendering the services. If the client engages W.H. Cornerstone Investments, Inc. for additional investment advisory services, W.H. Cornerstone Investments, Inc. may offset all or a portion of its fees for those services based upon the amount already paid for the financial planning and/or consulting services.

W.H. Cornerstone Investments, Inc. generally requires payment of the financial planning and consulting fee upon entering the written agreement.

For clients who wish to continue to engage us for ongoing planning assistance we offer ongoing financial planning and consulting. The fee for this service is paid monthly or quarterly, in advance, at a rate ranging from \$100 - \$2,000 per month. The fee may be negotiable in certain cases. This service may be terminated with written notice. Upon termination of any account, the fee will be prorated and any unearned fee will be refunded to the client.

Investment Management and Wealth Management Fees

W.H. Cornerstone Investments, Inc. provides investment and wealth management services for an annual fee based upon a percentage of the market value of the assets being managed by the Firm. The annual fee is prorated and charged monthly and in some cases quarterly, in arrears or advance based upon the market value of the assets being managed by W.H. Cornerstone Investments, Inc. on the last day of the previous month or quarter. The annual fee varies up to 1.50%, depending upon the market value of the assets under management and scope and complexity of work to be provided.

W.H. Cornerstone Investments, Inc., in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

W.H. Cornerstone Investments, Inc.'s annual fee is exclusive of, and in addition to brokerage commissions, transaction fees and other related costs and expenses which are incurred by the client. W.H. Cornerstone Investments, Inc. does not, however, receive any portion of these commissions, fees or costs.

Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), W.H. Cornerstone Investments, Inc. generally recommends that clients utilize the brokerage and clearing services of an independent broker-dealer for investment management accounts.

W.H. Cornerstone Investments, Inc. may only implement its investment management recommendations after the client has provided the Firm with all necessary information and authorization relative to its accounts. Financial institutions include, but are not limited to any broker-dealers recommended by W.H. Cornerstone Investments, Inc., broker-dealers directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, brokerage commissions and transaction fees, charges imposed directly by a mutual fund or ETF in the account, which is disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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 W.H. Cornerstone Investments, Inc.'s fee.

W.H. Cornerstone Investments, Inc.'s *Agreement* and the separate agreement with any *Financial Institutions* may authorize W.H. Cornerstone Investments, Inc. to debit the client's account for the amount of the Firm's fee and to directly remit that management fee to W.H. Cornerstone Investments, Inc. Any *Financial Institutions* recommended by W.H. Cornerstone Investments, Inc. have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to the Firm. In addition, W.H. Cornerstone Investments, Inc. may send, to certain clients, an invoice for payment in accordance with applicable regulations.

Financial Planning Hourly Fee

Financial Planning may be provided at an hourly rate between \$200 and \$500 per hour, depending on complexity. The fee may be negotiable in certain cases and is due at the completion of the engagement. In the event of early termination by client, any fees for the hours already worked will be due.

Fees for Management During Partial Months of Service

For the initial period of investment management services, the fees are calculated on a *pro rata* basis. The *Agreement* between W.H. Cornerstone Investments, Inc. and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. W.H. Cornerstone Investments, Inc.'s fees are prorated through the effective date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to the usual and customary securities settlement procedures and W.H. Cornerstone Investments, Inc.'s right to terminate an account. If assets are deposited into or withdrawn from an account after the inception of a month, the fee payable with respect to such assets will be prorated based on the number of days remaining in the month. Clients are advised that W.H. Cornerstone Investments, Inc. designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.

Additions may be in cash or securities provided that W.H. Cornerstone Investments, Inc. reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. W.H. Cornerstone Investments, Inc. may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or subject to tax ramifications.

Educational Seminars

Fees for Educational Seminars will vary due to varying scope, length, and complexity of seminars. The fee (if applicable) for each seminar will be published on the seminar announcement, invitation and other marketing materials, but will range between \$500 and \$10,000. W.H. Cornerstone Investments, Inc. may also provide pro bono seminars at its own discretion.

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

W.H. Cornerstone Investments, Inc. does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7: Types of Clients

W.H. Cornerstone Investments, Inc. generally provides its services to individuals and their related accounts. The Firm may also provide services to pension and profit sharing plans, trusts, estates, corporations and business entities.

While W.H. Cornerstone Investments, Inc. does not impose a minimum portfolio size or minimum annual fee to start or maintain an account, the Firm's services are designed and best suited for high net worth individuals.

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

Methods of Analysis

W.H. Cornerstone Investments, Inc. may utilize a combination of technical, cyclical, or fundamental analysis.

Technical analysis involves the examination of past market data rather than specific issuer information in determining the recommendations made to clients. Technical analysis may involve the use of mathematical-based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying on technical analysis is that identifying historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that W.H. Cornerstone Investments, Inc. will be able to accurately predict such a reoccurrence.

Cyclical analysis is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental analysis of the health of the particular company that W.H. Cornerstone Investments, Inc. is recommending. The risks with cyclical analysis are similar to those of technical analysis.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For W.H. Cornerstone Investments, Inc., this process typically involves an analysis of a fund's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A substantial risk in relying on fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

Investment Strategies

As stated in Item 4, W.H. Cornerstone Investments, Inc. seeks to build a customized portfolio based on a client's unique goals, input and risk tolerance. W.H. Cornerstone Investments, Inc. primarily allocates clients' investment management assets among mutual funds, ETFs, individual debt and equity securities as well as the securities components of variable annuities and variable life insurance contracts in accordance with the investment objectives of the client. When appropriate, W.H. Cornerstone Investments, Inc. will also utilize other types of investments to meet the client's objectives.

Risk of Loss

General Risk of Loss

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

Mutual Funds and ETFs

An investment in a mutual fund or ETF involves risk, including the loss of principal. Shareholders in mutual funds and ETFs may be exposed to risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV").

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market which will fluctuate throughout the day. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to the value of their underlying securities or "pro rata NAV". Brokerage commissions and ETF expenses will reduce returns. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares. An ETF may also be limited by its investment strategy which may create concentration risk associated with investing in only one type of investment.

Market Risks

The profitability of certain of W.H. Cornerstone Investments, Inc.'s recommendations may depend on correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that W.H. Cornerstone Investments, Inc.'s price movement predictions will come to fruition.

Item 9: Disciplinary Information

W.H. Cornerstone Investments, Inc. is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management. W.H. Cornerstone Investments, Inc. does not have any required disclosures to this Item.

Please note, the disciplinary history of W.H. Cornerstone Investments, Inc. and its representatives can be obtained from The Commonwealth of Massachusetts Securities Division.

Item 10: Other Financial Industry Activities and Affiliations

William Harris is licensed to sell insurance and may engage in product sales with our clients, for which he will receive additional compensation. Any commissions received through insurance sales do not offset advisory fees the client may pay for advisory services under W.H. Cornerstone Investments, Inc.

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

W.H. Cornerstone Investments, Inc. and persons associated with W.H. Cornerstone Investments, Inc. (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with the Firm’s policies and procedures.

W.H. Cornerstone Investments, Inc. has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). W.H. Cornerstone Investments, Inc.’s *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by the Firm or any of its associated persons. The *Code of Ethics* also requires that certain of W.H. Cornerstone Investments, Inc.’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Access Person is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

Clients and prospective clients may contact W.H. Cornerstone Investments, Inc. to request a copy of its *Code of Ethics*.

Item 12: Brokerage Practices

Software and Support Provided by Financial Institutions

W.H. Cornerstone Investments, Inc. may receive without cost from its custodian computer software and related systems support, which allow W.H. Cornerstone Investments, Inc. to better monitor client accounts maintained at the custodian. W.H. Cornerstone Investments, Inc. may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at a custodian. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit W.H. Cornerstone Investments, Inc., but not its clients directly. In fulfilling its duties to its clients, W.H. Cornerstone Investments, Inc. endeavors at all times to put the interests of its clients first. Clients should be aware, however, that W.H. Cornerstone Investments, Inc.'s receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, W.H. Cornerstone Investments, Inc. may receive the following benefits from its custodian:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;

- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

Brokerage for Client Referrals

W.H. Cornerstone Investments, Inc. does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

Directed Brokerage

The client may direct W.H. Cornerstone Investments, Inc. in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by W.H. Cornerstone Investments, Inc. (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, W.H. Cornerstone Investments, Inc. may decline a client’s request to direct brokerage if, in the Firm’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Aggregating (Block) Trading for Multiple Client Accounts

Transactions for each client generally will be effected independently, unless W.H. Cornerstone Investments, Inc. decides to purchase or sell the same securities for several clients at approximately the same time. W.H. Cornerstone Investments, Inc. may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among W.H. Cornerstone Investments, Inc.’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities

in which W.H. Cornerstone Investments, Inc.'s Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. W.H. Cornerstone Investments, Inc. does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Item 13: Review of Accounts

Account Reviews

For those clients to whom W.H. Cornerstone Investments, Inc. provides investment management services, the Firm monitors portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom W.H. Cornerstone Investments, Inc. provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are generally conducted by the Principal of W.H. Cornerstone Investments, Inc. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the Firm and to keep W.H. Cornerstone Investments, Inc. informed of any changes thereto. W.H. Cornerstone Investments, Inc. contacts ongoing investment advisory clients at least annually to review its services and/or recommendations and

to discuss the potential impact resulting from any changes in the client's financial situation and/or investment objectives.

Account Statements and Reports

Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions* where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from W.H. Cornerstone Investments, Inc. and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with those they receive from W.H. Cornerstone Investments, Inc. or an outside service provider.

Item 14: Client Referrals and Other Compensation

Other Economic Benefits

W.H. Cornerstone Investments, Inc. is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is already disclosed in response to Item 12, above.

Client Referrals

In addition, W.H. Cornerstone Investments, Inc. is required to disclose any direct or indirect compensation that it provides for client referrals. The Firm does not provide any compensation for client referrals.

Item 15: Custody

W.H. Cornerstone Investments, Inc.'s *Agreement* and/or the separate agreement with any *Financial Institution* may authorize W.H. Cornerstone Investments, Inc. through such *Financial Institution* to debit the client's account for the amount of W.H. Cornerstone Investments, Inc.'s

fee and to directly remit that management fee to W.H. Cornerstone Investments, Inc. in accordance with applicable custody rules.

The *Financial Institutions* recommended by W.H. Cornerstone Investments, Inc. have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to W.H. Cornerstone Investments, Inc. In addition, as discussed in Item 13, W.H. Cornerstone Investments, Inc. may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to any received from W.H. Cornerstone Investments, Inc.

Item 16: Investment Discretion

W.H. Cornerstone Investments, Inc. may be given the authority to exercise discretion on behalf of clients. W.H. Cornerstone Investments, Inc. is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. W.H. Cornerstone Investments, Inc. is given this authority through a power-of-attorney included in the agreement between W.H. Cornerstone Investments, Inc. and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). W.H. Cornerstone Investments, Inc. takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- The timing of when these transactions are effected.

Item 17: Voting Client Securities

W.H. Cornerstone Investments, Inc. is required to disclose if it accepts authority to vote client securities. The Firm does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

Item 18: Financial Information

W.H. Cornerstone Investments, Inc. is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$500 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19: Requirements for State-Registered Advisers

William M. Harris

Born: 1966

Educational Background

- 1995 – M.B.A., Finance, Suffolk University
- 1989 – B.S., Management, Daniel Webster College

Recent Business Experience

W.H. Cornerstone Investments, Inc. | Managing Member and Chief Compliance Officer |
November 1998 – Present

Paula S. Harris

Born: 1967

Educational Background

- 1989 – B.A., Humanities, Providence College

Recent Business Experience

W.H. Cornerstone Investments, Inc. | Co-Founder and Principal | November 1998 –
Present