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COMMISSIONERS OFFICE

COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
ADMINISTRATIVE ACTION NO. 2016-AH-00023

DEPARTMENT OF FINANCIAL INSTITUTIONS PETITIONER

v.

SUMMARY ORDER SUSPENDING REGISTRATIONS

CORNERSTONE BENEFIT ADVISORS, LLC RESPONDENTS

and DEREK BURCHAM

***** ***** ***** ***** *****

Comes now the Commonwealth of Kentucky, by and through the Commissioner of the Department of Financial Institutions ("DFI"), and pursuant to the authority granted by KRS Chapter 292, the Securities Act of Kentucky (hereinafter the "Securities Act") and the rules and regulations promulgated thereunder, hereby enters this **SUMMARY ORDER** suspending the registration of Cornerstone Benefit Advisors, LLC ("Cornerstone") and Derek Burcham ("Burcham"), individually, and collectively ("Respondents") until an administrative hearing has been held and a final determination has been made by the DFI.

PARTIES

1. DFI is responsible for regulating and registering investment advisers and investment adviser representatives in accordance with the provisions of KRS Chapter 292.

2. Respondent Cornerstone Benefit Advisors LLC ("Cornerstone") is a Kentucky limited liability company whose principal office is located at 9900 Corporate Campus Drive, Suite

300, Louisville, KY 40223. Cornerstone operates under the assumed name "Cornerstone Wealth Advisors" and is registered with the DFI as an investment adviser (CRD# 160499).

3. Respondent Derek Burcham ("Burcham") is an individual whose last known address is 3035 Roselawn Boulevard, Louisville, KY 40220. Burcham is the managing member of Cornerstone and is registered with the DFI as an investment adviser representative of Cornerstone (CRD# 5174214).

FINDINGS OF FACTS

A. Securities Compliance Examinations

4. On February 13, 2014, the DFI's Division of Securities, Compliance Branch, ("Compliance") conducted a routine examination of Cornerstone pursuant to KRS 292.336(4).

5. During the examination, Respondents could not provide Compliance's examiners with multiple records and information that were requested before and during the examination.

6. Post-examination, Compliance continued to communicate with Respondents to obtain documents and request corrective actions, including a request to correct inaccuracies discovered in Cornerstone's registration file, known as the Form ADV. By email dated August 26, 2014, Burcham said he would update the Form ADV, but that the requested records could not be provided at that time because Cornerstone had "switched banks and accounting software" and the records from the previous software could not be merged with the new software. Burcham stated that Cornerstone had switched from JP Morgan Chase to PNC Bank, giving the impression that he had closed Cornerstone's JP Morgan Chase Bank account.

7. Respondents never provided all of the requested records.

8. By letter dated July 16, 2015, Compliance notified Respondents that examiners from Compliance would be conducting a routine examination on August 25, 2015. The letter also

provided a list of records and information for Respondents to provide to the examiners during the examination.

9. As part of their preparation for the examination, Compliance's examiners reviewed Cornerstone's Form ADV and Burcham's registration file, known as the Form U4. Respondents had filed an annual amendment to Form ADV on January 20, 2015. In response to Item 5 of the Form ADV, Respondents indicated that the firm provided continuous and regular supervisory or management services to securities portfolios and that it had six (6) accounts and over three (3) million dollars of assets under management ("AUM").

10. Cornerstone's Form ADV and Burcham's Form U4, filed January 17, 2012, did not list any outside business interests for Burcham.

11. Due to Burcham having a conflict on August 25, 2015, Compliance agreed to conduct a routine examination of Cornerstone pursuant to KRS 292.336(4) on August 26, 2015. During the examination, Burcham informed Compliance that Cornerstone did not have any clients as of the end of calendar year 2014. This statement was inconsistent with the Item 5 disclosures on the firm's Form ADV. Additionally, Burcham provided the examiners with a list of his outside business interests, and these interests were not disclosed on the Form ADV or Form U4.

12. During the examination, Burcham told the examiners that Cornerstone had not billed any clients since it made two billings in 2014; all client accounts had been transferred to Covenant Capital Group ("Covenant"); and Cornerstone had terminated the custodial relationship with Shareholder Services Group ("SSG"). However, Burcham provided the examiners with some of the firm's financial records and these partial records were inconsistent with Burcham's statement that the last client billings occurred in 2014.

13. During the examination, Respondents did not provide multiple records that had been requested in the July 16, 2015, letter, and Respondents could not provide Compliance's examiners with multiple records that were requested during the examination.

14. After the examination, by e-mail dated August 31, 2015, Compliance provided Respondents with a list of all the items they were required to provide Compliance no later than September 8, 2015.

15. Pursuant to the August 26, 2015, examination, examiners discovered there were several inaccuracies on Cornerstone's Form ADV. By letter dated September 2, 2015, Compliance provided Respondents with a list of correcting amendments that needed to be made to Cornerstone's Form ADV and requested that the amendments be made no later than September 16, 2015.

16. By e-mail dated September 24, 2015, Compliance informed Respondents that they had not produced the records listed in Compliance's August 31, 2015, e-mail and had not made the necessary amendments to Form ADV.

17. By e-mail dated September 27, 2015, Burcham informed Compliance that on October 2, 2015, the requested records would be provided and the Form ADV amendments would be made.

18. Respondents never provided the requested records.

19. Cornerstone's Form ADV was amended on April 4, 2016, but it did not address all requested corrections. The amendments indicated, however, consistent with the statements made by Mr. Burcham at the August 26, 2015 examination, that Defendants had no clients in 2015.

20. Cornerstone maintained a website, a Twitter account, and a Facebook page. The website listed an office location in Franklin, TN, and the Facebook page and Twitter account both

contained a post from August 2, 2013, stating, "We're growing our footprint! Our new Nashville office is official," and provided a link to a picture of a building purportedly in Franklin, TN. During the August 26, 2015, examination, Burcham informed Compliance that Cornerstone does not conduct business activity at this Tennessee office building.

21. Cornerstone's Facebook page and Twitter account both contained posts that Burcham made on December 4, 2014, which stated, "Go to lunch with a client and they have an additional 7.2 million check waiting for you. A good sign we're taking care of business!" These posts are inconsistent with Burcham's statement that Cornerstone did not have any clients at the end of 2014.

22. Based on the foregoing, the DFI filed an Administrative Complaint, 2016-AH-00023, against Respondents on March 2, 2016, seeking fines and revocation or suspension of Respondents' registrations.

23. Respondents' counsel, Judson Wagenseller, obtained extensions until June 24, 2016, to file a responsive pleading in order to obtain additional documents from Respondents. During April 2016, various documents were provided to the DFI for review.

24. On May 31, 2016, Mr. Wagenseller provided the DFI copies of financial planning agreements for three (3) of Respondents' clients, along with management fee invoices for two (2) of the three (3) clients. He also provided PNC bank statements for the period February 2014-July 2014.

25. SSG was the custodian of the client accounts for investment advisor, Cornerstone (CRD# 160499), and/or Burcham (CRD#5174214). As custodian, SSG maintained records of the account activity of Respondents' clients and further, made account statements available to Respondents' clients either electronically or via postal mail.

26. On June 8, 2016, Compliance submitted a request to SSG for its records on Cornerstone and/or Burcham for the period of February 1, 2012, through May 31, 2016.

27. On June 10, 2016, SSG disclosed documents that identified more clients and management fees than what Respondents had reported to the DFI. Cornerstone management fees had been deducted from accounts maintained by SSG and were deposited via ACH directly into Respondents' bank account with JP Morgan Chase Bank. This was the bank account that Cornerstone led the DFI to believe had been closed.

28. During the August 2015 examination, Burcham informed Compliance that he had become a junior partner with Covenant Capital Group ("Covenant"), a private equity – real estate group, in Tennessee.

29. On June 9, 2016, Compliance sent a letter to Covenant requesting confirmation that Derek Burcham had affiliated with the company as a junior partner. Covenant responded by letter, dated June 28, 2016, stating that Burcham is not and has never been affiliated with the company in any way.

30. On June 14, 2016, at the request of Compliance, the DFI's Division of Securities, Enforcement Branch, ("Enforcement"), issued an administrative subpoena for Respondents' JP Morgan Chase Bank account records.

31. On June 23, 2016, Respondents' counsel, Mr. Wagenseller, gave written notification to the DFI that he had withdrawn from the case and would no longer be representing Respondents.

32. On June 24, 2016, the DFI sent a letter to Respondents acknowledging receipt of their counsel's notification of withdrawal from the case, and stating that a responsive pleading to the Administrative Complaint was due on or before July 14, 2016.

33. On July 12, 2016, Michael Valenti, of Valenti, Hanley, PLLC, contacted the DFI to report he would be representing Respondents and sought an extension to answer the administrative complaint. An extension was granted until July 20, 2016. Respondents' Answer to the Administrative Complaint was received on July 21, 2016.

B. Securities Enforcement Investigation

34. On June 16, 2016, Enforcement began an investigation of Respondents pursuant to KRS 292.460(1)(a).

35. On June 22, 2016, Enforcement issued an administrative subpoena for Respondents' PNC Bank account records.

36. On June 28, 2016, Enforcement interviewed Investor #1. Investor #1 stated that approximately $220,000 in investment funds were transferred to Respondents for management. Investor #1's investment strategy was to preserve principal and make a small profit after paying advisory expenses. Investor #1 did not have a signed copy of the advisory contract. Investor #1 believed fees of .5% of AUM were being charged to Investor #1's account.

37. Part 2 of Respondents' Form ADV, collectively known as the Brochure and Brochure Supplements (hereinafter "Form ADV Brochure") filed with the DFI on February 2, 2012, states the maximum advisory fee charged by Respondents is 1% of AUM.

38. An analysis of SSG records reveals that during the time period of 2015-2016, Respondents received $7,913.94 in excess of the contractual maximum of 1% of AUM from Investor #1 as depicted below:

Year	Maximum Allowable Contract %	Maximum Fees Pursuant To Contract % Based Upon Average AUM	Actual Fees Deducted From Account Held At SSG	Fee Percentage of AUM Charged
2016*	1.00%	$1,080.65	$5,503.25	5.09%
2015	1.00%	$1,305.87	$4,797.21	3.67%

*Through July 7, 2016

39. On July 1, 2016, Enforcement interviewed Investor #2. Investor #2 accepted services from Burcham in March or April 2012. Investor #2 explained that one of Investor #2's long term goals was to deduct $30,000 per year for retirement income. Investor #2 believed the advisory fees were to be 1% of the AUM. Investor #2 had not received an account statement via postal mail since December 2014. Although Investor #2 was aware that account statements were available on-line through SSG's website, Investor #2 had difficulty accessing the website. Investor #2 received email notices of trades, but received no specific details about the trades. Investor #2 recalled signing an advisory contract, but Burcham never provided a copy, even after requests were made by the investor.

40. An analysis of SSG records reveals that during the time period of 2013 - 2016, Respondents actually received $285,126.31 in excess of the contractual maximum of 1% of AUM from Investor #2 as depicted below:

Year	Maximum Allowable Contract %	Maximum Fees Pursuant To Contract % Based Upon Average AUM	Actual Fees Deducted From Account Held At SSG	Fee Percentage of AUM Charged
2016*	1.00%	$2,318.86	$75,482.76	32.55%
2015	1.00%	$4,287.59	$73,454.00	17.13%

2014	1.00%	$3,667.41	$75,622.06	20.62%
2013	1.00%	$2,691.75	$73,533.11	27.32%

*Through July 7, 2016

41. Documents obtained from SSG include a letter allegedly from Investor #2 authorizing SSG to allow direct withdrawals to Cornerstone for advisory fees pursuant to investor's net worth of 6.5 million dollars. Investor #2 denies having a net worth anywhere near 6.5 million dollars and did not knowingly sign any letter stating such.

42. Respondents provided false documents to Investor #2. Investor #2 received periodic invoices from Respondents via postal mail outlining quarterly balances and the fees that were to be deducted from Investor's #2's SSG account; however, invoices were not consistently provided. On one occasion, Investor #2 requested an invoice from Respondents listing the total amount of fees deducted in calendar year 2015 to be used for tax purposes. The actual fees deducted were significantly larger than the amounts represented on the statements provided by Respondents as illustrated in the comparison depicted below:

Quarterly Invoice Date	Fee Amounts To Be Deducted Per Cornerstone Invoices	Actual Fees Deducted From Account Held At SSG	Fee Variance
4/2/2013	$1,172.77	$8,674.65	$7,501.88
7/2/2013	$1,116.03	$26,697.44	$25,581.41
10/3/2013	$1,230.78	$28,264.69	$27,033.91
4/2/2014	$1,248.63	$12,779.03	$11,530.40
10/8/2014	$1,230.37	$10,103.23	$8,872.86
1/6/2015	$1,293.73	$14,527.51	$13,233.78
Yearly Invoice Date	**Fee Amounts To Be Deducted Per Cornerstone Invoices**	**Actual Fees Deducted From Account Held At SSG**	**Fee Variance**
12/31/2015	$4,019.30	$73,454.00	$69,434.70

43. On July 14, 2016, Enforcement interviewed Investor #3. Investor #3 initially transferred approximately $1,000,000 to Respondents for management and added an additional $220,000 to the advisory account in early 2016. Respondents were granted discretionary authority to make securities trades in the account. Investor #3 was to be charged .25% quarterly fee for Respondents' management of the account. Respondents were not granted authority to withdraw fees or money from the account. Investor #3 opted to write a physical check for all advisory fees when they became due. These payments were drawn on Investor #3's checking accounts, which were not tied to the advisory accounts.

44. Investor #3 also opened two advisory accounts for family members, which were also to be under Respondents' management. Although there were three separate accounts, one (1) for Investor #3 and two (2) for family members, Respondents allowed them to be treated as a single account for the purpose of fee assessment. All three accounts were to be charged a .25% quarterly AUM fee. According to Investor #3, Respondents were not granted authority to deduct fees from any of the advisory accounts.

45. An analysis of SSG records reveals that during the time period of 2012 – 2016, Respondents received $469,161.10 in excess of the contractual maximum of 1% of AUM for the three advisory accounts. Investor #3 paid the initial plan fees as well as the quarterly advisory fees for the accounts with a physical check each quarter. Although Investor #3 specifically stated no fees were to be deducted directly from any of the three SSG accounts, advisory fees were deducted from the three accounts as depicted below:

Year	Maximum Allowable Contract %	Maximum Fees Pursuant To Contract % Based Upon Average AUM	Actual Fees Deducted From Account Held At SSG	Actual Fees Paid Directly to Cornerstone	Fee Percentage of AUM Charged
2016*	1.00%	$9,664.71	$188,686.02	$4,366.08	19.97%
2015	1.00%	$20,648.92	$185,774.52	$17,321.24	9.84%
2014	1.00%	$14,300.05	$107,491.53	$12,171.82	8.37%
2013	1.00%	$10,637.08	$0.00	$9,055.51	0.85%
2012	1.00%	$1,547.78	$0.00	$1,092.92	0.71%

*Through July 7, 2016

46. Documents obtained from SSG include a letter dated December 2, 2014, allegedly from Investor #3 authorizing SSG to allow a $16,750 direct withdrawal to Respondents for set-up and distribution of plans from Investor #3's SSG account. The letter further authorized management fees related to a private equity account held outside the SSG custodian account to be withdrawn from Investor #3's SSG account. Investor #3 is unable to confirm the signature on the letter and denies authorizing Respondents to manage or collect fees for any accounts held outside the SSG custodian account.

47. Documents obtained from SSG also include a letter dated April 2, 2015, allegedly from Investor #3 authorizing SSG to allow direct withdrawals to Respondents for advisory fees and states that the account with SSG and another "private equity real estate'" account outside the SSG custodian account have a combined value of over 17 million dollars. Investor #3 denies signing this authorization letter, having an outside private equity real estate account, and having managed accounts valued at over 17 million dollars.

48. On August 2, 2016, Enforcement spoke with Investor #4. Investor #4 did not believe any fees were being charged even though the signed contract with Respondents stated 1%

would be charged on assets up to $1,000,000. The account of Investor #4 never reached the $1,000,000 threshold.

49. An analysis of SSG records reveals that during the time period of 2015-2016, Respondents received $4,662.16 in excess of the contractual maximum of 1% of AUM from Investor #4 as depicted below:

Year	Maximum Allowable Contract %	Maximum Fees Pursuant To Contract % Based Upon Average AUM	Actual Fees Deducted From Account Held At SSG	Fee Percentage of AUM Charged
2016*	1.00%	$1,923.13	$5,300.75	2.76%
2015	1.00%	$3,996.82	$5,281.36	1.32%

*Through July 7, 2016

50. Compliance received a copy of the contract for Investor #5 on May 31, 2016, from Respondents. The signed contract stated the advisory fee would be 1% of AUM in addition to an estimated financial plan fee of $3,500 the first year. Based upon SSG account statements, a financial plan fee of $3,350 appears to have been withdrawn from Investor #5's SSG account in 2014.

51. An analysis of SSG records reveals that during the time period of 2014-2016, Respondents received $2,924.08 in excess of the contractual maximum of 1% of AUM from Investor #5 as depicted below:

Year	Maximum Allowable Contract %	Maximum Fees Pursuant To Contract % Based Upon Average AUM	Actual Fees Deducted From Account Held At SSG	Fee Percentage of AUM Charged
2016*	1.00%	$1,332.52	$3,021.17	2.27%
2015	1.00%	$3,197.49	$4,605.38	1.44%
2014	1.00%	$911.58	$739.12	0.81%

*Through July 7, 2016

52. Compliance received a copy of the contract for Investor #6 on May 31, 2016, from Respondents. The signed contract stated the advisory fee would be 1% of AUM.

53. An analysis of SSG records reveals that during the time period of 2013-2016, Respondents received $21,413.80 in excess of the contractual maximum of 1% of AUM from Investor #6 as depicted below:

Year	Maximum Allowable Contract %	Maximum Fees Pursuant To Contract % Based Upon Average AUM	Actual Fees Deducted From Account Held At SSG	Fee Percentage of AUM Charged
2016*	1.00%	$1,788.26	$4,390.83	2.46%
2015	1.00%	$3,925.16	$5,670.69	1.44%
2014	1.00%	$2,681.96	$19,266.31	7.18%
2013	1.00%	$218.65	$700.00	3.20%

*Through July 7, 2016

54. DFI does not have a copy of the contract for Investor #7. However, the Form ADV Brochure filed with the DFI on February 2, 2012, states the maximum advisory fee charged by Respondents is 1% of AUM.

55. An analysis of SSG records reveals that during the time period 2012-2016, Respondents received $38,925.28 in excess of the contractual maximum of 1% of AUM from Investor #7 as depicted below:

Year	Maximum Allowable Contract %	Maximum Fees Pursuant To Contract % Based Upon Average AUM	Actual Fees Deducted From Account Held At SSG	Fee Percentage of AUM Charged
2016*	1.00%	$355.06	$4,151.89	11.69%
2015	1.00%	$862.54	$11,528.85	13.37%
2014	1.00%	$610.41	$12,710.79	20.82%
2013	1.00%	$542.98	$12,171.99	22.42%
2012	1.00%	$195.81	$928.57	4.74%

*Through July 7, 2016

56. In total, Respondents have collected unearned fees of not less than $830,126.67.

57. Respondents maintained a tab on their website entitled "Client Login." The investors were provided access to what was purported to be a snapshot of the investors' managed advisory accounts with Respondents. The information provided on Respondents' website did not accurately depict the investors' account values. At least two investors relied upon the information provided on Respondents' website as an accurate depiction of their account values.

58. On July 8, 2016, the DFI issued administrative subpoenas for Respondents to appear at the DFI office and produce various business records on July 19, 2016. Subpoenas were issued for service by FedEx to the Cornerstone office address and Burcham's home address. Cornerstone received the subpoena on July 12, 2016, at 11:14 a.m. via FexEx delivery. Service could not be made at Burcham's residence.

59. When Michael Valenti, of Valenti Hanley, PLLC, contacted DFI on July 12, 2016, to report he would be representing Respondents, Mr. Valenti was informed that administrative subpoenas had been issued for Respondents to appear on July 19, 2016.

60. Burcham did not appear on July 19, 2016, pursuant to the administrative subpoena issued on July 12, 2016, because he claimed did not get the subpoena from the Cornerstone office.

61. On July 21, 2016, the DFI issued an amended administrative subpoena for Respondents to appear at the DFI office and produce various business records on July 28, 2016. Service was made on Michael Valenti as counsel for Respondents.

62. On July 26, 2016, Mr. Valenti informed the DFI of a death in Burcham's family; therefore, Respondents' appearance was continued. On July 27, 2016, the DFI issued an amended administrative subpoena for Respondents to appear at the DFI office and produce various business records on August 1, 2016. Service was made on Michael Valenti as counsel for Respondents.

63. On August 1, 2016, Respondents did not appear at the DFI offices pursuant to the administrative subpoena.

STATUTORY AUTHORITY

64. Pursuant to KRS 292.337(4), the commissioner may enter an summary order suspending the registration of any investment advisor or investment advisor representative without notice or hearing if the commissioner finds that such action is in the public interest and there is substantial evidence of a violation of law that constitutes an immediate danger to the public health, safety, or welfare.

65. Pursuant to KRS 292.337(4), one (1) or more of the grounds listed in KRS 292.337(2) shall be considered for a summary order. These grounds include the following:

. . .

(b) [The registrant has] violated or failed to comply with [KRS Chapter 292] or any administrative regulation promulgated or order issued under this chapter or a predecessor law;

. . .

(h) [The registrant has] engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous ten (10) years; or

. . .

(n) [The registrant refuses] to allow or otherwise impedes an examination under this chapter or refuses access to a registrant's office to conduct an examination.

66. Pursuant to KRS 292.336 and 808 KAR 10:450, Section 2, a person who is an investment adviser or an investment adviser representative shall be a fiduciary and shall have a duty to act primarily for the benefit of its client. An investment adviser or investment adviser representative shall not engage, either directly or indirectly, in unethical or dishonest practices. Examples of acts and practices (relevant to this matter) that shall be considered either a breach of fiduciary duty or a dishonest and unethical practice include:

(8)(b) Misrepresenting the nature of the advisory services being offered or fees to be charged for the services;

(8)(c) Omitting to state a material fact necessary to make the statements made regarding the qualifications, services or fees, in light of the circumstances under which they were made, not misleading;

. . .

(10) Charging a client an unreasonable advisory fee in light of the fee charged by other investment advisers providing similar services;

. . .

(15)(f) Using any advertisement that contains any untrue statements or omissions of a material fact or is otherwise false or misleading;

. . .

(18) Entering into, extending, or renewing an advisory contract unless the contract is in writing and discloses the following:

(a) The nature of the advisory services to be provided;

(b) The time period that the contract remains in effect;

(c) The advisory fee and the formula for computing the fee;

(d) The amount of the prepaid fee to be returned if there is contract termination or nonperformance

(e) Whether the contract grants discretionary power to the adviser and, if so, the terms of the discretionary power;

(f) Whether the contract grants custody of client funds to the advisor and, if so, the terms of the custody; and

(g) That the adviser shall not assign the contract without the prior written consent of the client;

. . .

(21) Engaging in any act, practice, or course of business which is fraudulent, deceptive, or manipulative contrary to the provisions of Section 206(4) of the Investment Advisors Act of 1940, whether or not the investment adviser is registered or required to be registered under Section 203 of the Act;

(22) Failing to provide all material information with respect to any dealings with or recommendations to any advisory client in violation of KRS 292.320;

(23) Committing any act involving a client, the client's assets, or any business records which would constitute a criminal offense;

(24) Lying to or otherwise misleading a representative of the Department of Financial Institutions conducting an authorized examination or investigation;

(25) Failing to make requested records available to or otherwise impeding a representative of the Department of Financial Institutions conducting an authorized examination or investigation; and

(26) Failing to respond in a timely manner to a written request from an authorized representative of the Department of Financial Institutions for:

(a) Information;

(b) An explanation of practices or procedures;

(c) A response to a complaint filed with the department; or

(d) A response to a written statement of findings from an examination.

67. Pursuant to 808 KAR 10:450, Section 4, the commissioner may determine that an activity not included in the examples identified in Section 2 of the administrative regulation constitutes a dishonest or unethical practice if the activity is similar to an enumerated activity.

68. Pursuant to KRS 292.320(2), it is unlawful for any person who receives consideration from another person primarily for advising the other person as to the value of securities or their purchase or sale, whether through the issuance or analyses or reports or otherwise to employ any device, scheme, or artifice to defraud the other person; or to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person.

69. Pursuant to KRS 292.440, it is unlawful for any person to make or cause to be made, in any document filed with the Commissioner in any proceeding under the Securities Act, any statement which is, at the time and in light of the circumstances under which it is made, false or misleading in any material respect.

70. Pursuant to KRS 292.331, KRS 292.332, KRS 292.336, 808 KAR 10:010, 808 KAR 10:030, and 808 KAR 10:120, an investment advisor shall keep current its registration file, known as a Form ADV, with the DFI. Part 2 of the ADV includes a brochure which requires disclosure of the investment adviser's business, fees, and compensation terms. This information must also be provided to each client or prospective client.

71. An investment advisor shall keep accurate books and records in accordance with the requirements of KRS 292.336 and 808 KAR 10:110, and shall further make these records available to the commissioner at any time for examination.

ADDITIONAL FINDINGS OF FACT AND CONCLUSIONS OF LAW

72. The grounds listed in KRS 292.337(2) were considered for this summary order.

73. Based on the foregoing findings of fact and a review of the grounds listed in KRS 292.337(2), it is hereby determined as follows:

(1) KRS 292.337(2)(b) - There is substantial evidence that Respondents violated or failed to comply with the following securities laws and administrative regulations:

i. KRS 292.320(2) for employing a device, scheme, or artifice to defraud another person; or otherwise engaging in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person, in connection with the providing of investment advisory services;

ii. KRS 292.336(1) by failing to make or keep accurate books and records in accordance with the requirements of KRS 292.336 and 808 KAR 10:110, and by further failing to make these records available to the commissioner for examination;

iii. KRS 292.336(5) & (6) and 808 KAR 10:450 for breaching Respondents' fiduciary duty to their clients or otherwise engaging in unethical or dishonest practices, including but not limited to the activities set forth in 808 KAR 10:450, Sections 2(8)(b), (8)(c), (10), (15)(f), (18), (21), (22), (23), (24), (25), and (26);

iv. KRS 292.331, KRS 292.332, KRS 292.336, 808 KAR 10:010, and 808 KAR 10:120, for failing to keep current Cornerstone's registration file, known as a Form ADV, with the DFI; and

v. KRS 292.440 for making, or causing to be made, false statements in its Form ADV, which was a document filed with the Commissioner, and making false statements to Compliance examiners during the course of an examination; and

(2) KRS 292.337(2)(h) - There is substantial evidence that Respondents have engaged in dishonest or unethical practices in the securities business within the past ten (10) years, including but not limited to the activities set forth in 808 KAR 10:450, Sections 2(8)(b), (8)(c), (10), (15)(f), (18), (21), (22), (23), (24), (25), and (26), to wit:

i. Misrepresenting the nature of the advisory services being offered or fees to be charged for the services;

ii. Omitting to state a material fact necessary to make the statements made regarding the qualifications, services or fees, in light of the circumstances under which they were made, not misleading;

iii. Charging a client an unreasonable advisory fee in light of the fee charged by other investment advisers providing similar services;

iv. Using advertisements that contained untrue statements or omissions of a material fact or is otherwise false or misleading;

v. Entering into advisory contracts, or an extension or renewal of those contracts, that are not in writing or do not otherwise provide the disclosures set forth in 808 KAR 10:450, Section 2(18);

vi. Engaging in acts, practices, or a course of business which is fraudulent, deceptive, or manipulative contrary to the provisions of Section 206(4) of the Investment Advisors Act of 1940, whether or not the investment adviser is registered or required to be registered under Section 203 of the Act; and

vii. Failing to provide all material information with respect to any dealings with or recommendations to any advisory client in violation of KRS 292.320;

viii. Committing acts involving a client, the client's assets, or any business records which would constitute a criminal offense;

ix. Lying to or otherwise misleading representatives of the Department of Financial Institutions conducting an authorized examination or investigation;

x. Failing to make requested records available to or otherwise impeding a representative of the Department of Financial Institutions conducting an authorized examination or investigation; and

xi. Failing to respond in a timely manner to written requests from authorized representatives of the Department of Financial Institutions for information, an explanation of practices or procedures, and a response to a written statement of findings from an examination; and

(3) KRS 292.337(2)(n) – There is substantial evidence that Respondents refused to allow or otherwise impeded examinations made under KRS Chapter 292, to wit:

i. Lying to or otherwise misleading representatives of the Department of Financial Institutions conducting an authorized examination or investigation; and

ii. Failing to make or keep accurate books and records in accordance with the requirements of KRS 292.336 and 808 KAR 10:110, and by further failing to make these records available to the commissioner for examination; and

(4) Issuing a Summary Order suspending Respondents' registrations as an investment advisor and investment advisor representative is in the public interest and there is

substantial evidence of a violation of law that constitutes an immediate danger to the public health, safety, or welfare.

74. Grounds have been established for issuance of a Summary Order pursuant to KRS 292.337(4).

SUMMARY ORDER

Based upon the foregoing Findings of Fact, Statutory Authority, and Conclusions of Law, the Commissioner hereby ORDERS as follows:

1. The registration of Respondent, Cornerstone Benefit Advisors, LLC (CDR# 160499), as an investment adviser is **SUSPENDED** and shall remain suspended until a final determination is made in this administrative proceeding.

2. The registration of Respondent, Derek Burcham (CRD# 5174214), as an investment adviser representative is **SUSPENDED** and shall remain suspended until a final determination is made in this administrative proceeding.

3. Respondent Cornerstone Benefit Advisors, LLC shall **CEASE AND DESIST** from engaging in the securities business in Kentucky and shall **CEASE AND DESIST** from acting as an investment adviser in Kentucky.

4. Respondent Derek Burcham shall **CEASE AND DESIST** from engaging in the securities business in Kentucky and shall **CEASE AND DESIST** from acting as an investment adviser representative in Kentucky.

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NOTICE TO RESPONDENTS OF HEARING RIGHTS

You are hereby notified, pursuant to KRS 292.337(4), you have the right to file a request, within 30 days after the date reflected on the certificate of service attached to this Summary Order, for an emergency hearing. Pursuant to KRS 13B.125, if such a hearing is requested from the Commissioner, the agency shall conduct an emergency hearing within ten (10) working days of the request for hearing. The agency shall give all affected parties reasonable notice of the hearing and to the extent practicable shall conduct the hearing in conformity with the provisions of KRS Chapter 13B.

IT IS SO ORDERED on this 8th day of August, 2016.

Charles A. Vice
Commissioner
Kentucky Department of Financial Institutions

CERTIFICATE OF SERVICE

I, Allison Hiles, hereby certify that a copy of the foregoing **Summary Order** was sent on this the 8th day of August, 2016, by certified mail, return receipt requested, to the following:

CORNERSTONE BENEFIT ADVISORS, LLC
9900 Corporate Campus Drive, Suite 3000
Louisville, KY 40223
Attn: Derek Burcham

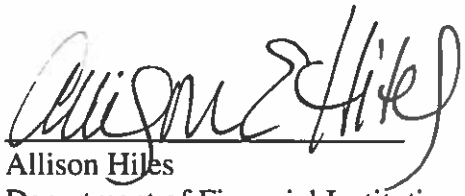
CORNERSTONE BENEFIT ADVISORS, LLC
Derek Burcham, Registered Agent
3035 Roselawn Boulevard
Louisville, KY 40220

DEREK BURCHAM
3035 Roselawn Boulevard
Louisville, KY 40220

Michael A. Valenti
Valenti Hanley PLLC
One Riverfront Plaza, Suite 1950
401 West Main Street
Louisville, KY 40202
Counsel for Respondents

And via hand-delivery to:

Gary W. Adkins
Department of Financial Institutions
1025 Capital Center Drive, Suite 200
Frankfort, KY 40601



Allison Hiles
Department of Financial Institutions
1025 Capital Center Drive, Suite 200
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