

## **CORNERSTONE FINANCIAL ADVISORS**

### **Firm Brochure**

**Dated 5/31/2012**

Contact: Maricela M. Ledergerber, President, Owner, and Chief  
Compliance Officer

947 Patterson Street  
Houston, TX 77007-5437

Phone: 713-980-2989

Fax: 713-583-8710

Email Address: [cornerfa@ix.netcom.com](mailto:cornerfa@ix.netcom.com)

This brochure provides information about the qualifications and business practices of Cornerstone Financial Advisors (“Cornerstone”). If you have any questions about the contents of this brochure, please contact us at 713-980-2989 or [cornerfa@ix.netcom.com](mailto:cornerfa@ix.netcom.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.

Additional information about Cornerstone Financial Advisors is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## **Item 2           Material Changes**

Material changes to Cornerstone Financial Advisors include a change of office location and new fax number as follows: 947 Patterson Street; Houston, TX 77007-5437; New fax number: 713-583-8710. There are no other material changes made to Cornerstone's disclosure statement since the Annual Amendment filing due March 31, 2012.

## **Item 3           Table of Contents**

Item 1 Cover Page .....	1
Item 2 Material Changes .....	2
Item 3 Table of Contents .....	2
Item 4 Advisory Business .....	3
Item 5 Fees and Compensation .....	4
Item 6 Performance Based Fees and Side-by-Side Management .....	5
Item 7 Types of Clients.....	5
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Item 9 Disciplinary Information.....	6
Item 10 Other Financial Industry Activities and Affiliations.....	7
Item 11 Code of Ethics, Participation or Interest in Client Transactions/Personal Trading.....	7
Item 12 Brokerage Practices.....	8
Item 13 Review of Accounts.....	10
Item 14 Client Referrals and Other Compensation.....	10
Item 15 Custody.....	10
Item 16 Investment Discretion.....	11
Item 17 Voting Client Securities.....	12
Item 18 Financial Information.....	12
Item 19 Requirements for State Registered Advisers.....	12

#### **Item 4            Advisory Business**

A.     Cornerstone Financial Advisors (“Cornerstone”) was formed in 1996 in the State of Texas. Its founder, Maricela M. Ledergerber has over 35 years experience in accounting, investment banking, investment management services and financial advisory services. Cornerstone is a fee-only investment management and financial advisory firm. Cornerstone does not sell insurance products, stocks, bonds, mutual funds, limited partnerships or other commissioned based products whatsoever. Cornerstone is not affiliated with any entity which sells commissioned products of any kind. Cornerstone does not receive any commissions, finder’s fees or any other fees other than the fee-only fees received for rendering services to its clients.

B.     General Investment Management Services:     Cornerstone’s fee-only services consist primarily of individually designed portfolio management plans based on each client’s written investment policy. These services are provided for several types of portfolios including individual, corporate, retirement and other types of fiduciary accounts. Included in these services are:

- Development of customized investment strategy based on client goals
- Preparation of an investment plan or asset allocation plan
- Selection of specific investment recommendations
- Implementation of agreed-upon investments
- Monitoring, portfolio re-balancing, and portfolio monitoring

C.     Comprehensive or Focused Financial Planning Services:     Cornerstone offers comprehensive financial planning services including asset planning, cash planning, retirement planning and estate planning as an add-on to General Investment Management Services. For individual clients, Cornerstone prepares a comprehensive financial plan, or focused plan, based on the client’s goals and objectives. A comprehensive financial plan includes the coordination of various financial planning disciplines such as cash planning, estate planning, asset planning, tax planning and retirement planning as well as the identification of a client’s financial assets and liabilities. Based on a client’s financial goals, an investment strategy is developed that encompasses a client’s risk tolerance; thereby integrating the general investment services function with the long range financial goals of the client’s financial plan. An investment strategy questionnaire is reviewed with each client prior to the development of a customized investment plan. Clients can also specify their investment constraints so that their investment strategy will be based on their specific goals. We believe that a disciplined investment planning strategy will support the client’s short and long term financial goals over the long term.

Cornerstone does NOT provide financial planning services on a stand alone basis. Comprehensive and focused financial planning services are available ONLY to clients that

have contracted with Cornerstone for the general investment management services. General financial consulting services are offered only to Cornerstone clients that have an annual Contract with the firm. These financial consulting services fall outside the scope of the Advisory contract and would be charged on an hourly basis for time expended on the specific project. Such general financial consulting services could include administrative assistance with refinancing of real estate, review of employee manuals, review of beneficiary designations for accounts held with broker-dealer/custodians other than Charles Schwab, review of available investment options pertaining to retirement plans held outside of Charles Schwab and with other broker-dealers/custodians, review of closing documents pertaining to real estate transactions.

D. Cornerstone does not offer a wrap fee program for its investment management services.

E. As of May 31, 2012 Cornerstone had \$22,000,000 in assets under management on a discretionary basis and \$ 8,000,000 on a non-discretionary basis.

## **Item 5 Fees and Compensation**

**Fees for Fee-Only Services:** Fee-only fees for general investment management services are based on a percentage of assets under management and the financial planning fee-only component (fixed-fee) is based on the financial planning services required by the client. Fee-only financial planning services (comprehensive or focused) fees are provided on a fixed-fee basis and fees equate to an average hourly rate of approximately \$100-\$125 per hour and are commensurate with the amount of time estimated to be expended on the financial planning component in a given year. The add-on financial planning component fee is a fixed-fee for the contract year and is added to the general investment management fee for a total annual advisory fee, that is a blended fee, which is typically less than the sum of both the financial planning and investment management component fees. Fees may be negotiable on a limited basis. Cornerstone does not offer financial planning services on a stand-alone basis.

Cornerstone has a minimum fee of \$4,000 for general investment management services inclusive of comprehensive or focused financial planning services. The general investment management services are provided per the following schedule or “a percentage of assets under management” which aggregates all of a client's portfolio values and uses the following sliding fee scale:

o	\$500,000 or less	1.00 % of managed assets
o	\$500,001 to \$1,000,000	.75 % of managed assets
o	\$1,000,001 and above	.50 % of managed assets.

Cornerstone does not receive any other compensation, re-bates, commissions or any other fees whatsoever from any other source, except fee-only fees earned for investment management/financial planning services rendered to clients under contract with Cornerstone.

Fees are billed quarterly, with a three month advance at the beginning of each quarter. Fees can be deducted from a client's brokerage account on a quarterly basis. A signed client consent in the form of a limited power of attorney with the client's custodial brokerage firm must be executed by the client before fees are deducted from the designated client account. Clients who choose to deduct fees from their brokerage account, will receive a copy of their paid quarterly invoice. A client may obtain a refund from a pre-paid quarterly fee, should the contract be terminated in any given quarter by giving a 30 day termination notice and deducting any outstanding balances. The refund will be remitted to the client on the next quarterly billing cycle.

**Other Fees or Expenses Incurred in Investment Plan Implementation:** Cornerstone exclusively recommends publicly traded securities, which include mutual funds and may recommend stocks and fixed income securities from time to time.. Cornerstone maintains arrangements with selected brokerage entities, including Charles Schwab for the purpose of implementing client investment plans. Unless the client directs otherwise, or an individual client's circumstances require, otherwise, Cornerstone will generally recommend that Charles Schwab be selected as the broker-dealer/custodian for the implementation of security transactions. Cornerstone does not receive any direct or indirect fees from any broker. Broker-dealers, such as Charles Schwab, charge commissions or other administrative fees in the normal course of business and mutual fund managers have management and administrative fees that are charged to the mutual fund. Cornerstone does not receive any such fees from any mutual fund companies or from any broker-dealer/custodian.

#### **Item 6            Performance-Based Fees and Side-by-Side Management**

Cornerstone does not receive performance-based fees.

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

Cornerstone offers its general investment management services and financial planning services to individuals, trusts, corporations, retirement plans and other types of fiduciary accounts.

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

A. Security analysis methods generally include fundamental analysis, technical analysis and cyclical analysis. Cornerstone may utilize these methods of security analysis when it is deemed appropriate. Cornerstone utilizes mutual fund partners that generally apply fundamental and technical analysis for their portfolio holdings. In addition, Cornerstone utilizes public information such as mutual fund reports, proxy materials, shareholder communications including gathering pertinent information from mutual fund representatives, reviewing third party research information to determine the investment strategies utilized by mutual fund managers. However, Cornerstone does NOT represent that publicly traded securities are without market risk. **Investment Risk:** Different types of investments involve varying degrees of risk and as such it should NOT be assumed that future performance of any

specific investments or investment strategies (including those recommended by Cornerstone) will be profitable or equal to any performance target. Investing in the kinds of securities recommended by Cornerstone e.g. publicly traded securities including mutual funds involves a risk of loss including the loss of principal. Clients must understand the risk of loss from these publicly traded securities and be prepared to bear such a loss.

B. Investment strategies utilized by Cornerstone include but are not limited to integrated asset allocation which include utilizing investments that represent broad asset classes that allow for overall diversification of client portfolios. Portfolio management strategies practiced by Cornerstone include interactive, ongoing investment management methodologies that involve the re-balancing of client portfolios as client circumstances change, client short and long term goals change, and the general global and domestic market conditions change. Cornerstone's methods of analysis and investment strategies do not present any unusual risks. However, every method of investment analysis has its own inherent risks and as such, these risks are discussed with clients before any investment recommendations are made.

All investment strategies have different risks including but not limited to the following:

1. Market risk- the price of a security may decline in response to economic events.
2. Inflation risk- inflation risk is inherent in all investment strategies because one dollar today may be worth less than a dollar next year, as purchasing power is impacted by the current inflation rate
3. Interest-rate risk- investment market prices will be impacted by interest rate fluctuations. For example, when interest rates increase, this has an inverse relationship to bond prices ie. Bond prices decrease, as interest rates increase.
4. Currency risk- foreign or non-domestic investments are subject to fluctuations in the value of the foreign currency and its exchange rate with the dollar.
5. Business risk- industry or business risk is inherent in all investment securities. For example, the demand for products/services in a particular industry such as the airline industry may decrease due to market parameters such as increased fuel costs or economic parameters such as increased unemployment.
6. Re-investment risk- this is the risk that proceeds from investments may have to be reinvested at lower rates of return in the future.

C. Cornerstone allocates client investment assets among various broad asset classes in accordance with the client's stated investment objectives and investment policy.

## **Item 9            Disciplinary Information**

Cornerstone has not been the subject of any disciplinary actions.

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

- A.      Cornerstone is NOT registered as a broker dealer NOR does Cornerstone have an application pending to register as a broker-dealer.
- B.      Cornerstone is NOT registered as a futures commission merchant, commodity pool operator, or a commodity trading advisor NOR does it have an application pending to register as such.
- C.      Cornerstone does NOT have a relationship or arrangements that are material to our advisory business with a related person who is an investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser, futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or promotes limited partnerships.
- D.      Cornerstone does NOT receive, directly or indirectly, compensation from investment advisors that it may recommend or select for its clients. Generally, Cornerstone does not made recommendations to clients regarding investment advisors, as any recommendation may be construed as a referral relationship. As stated previously, Cornerstone does not have ANY referral program in place with any professional group, organization, or company.

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

- A.      Cornerstone maintains a firm investment policy which is a part of the firm's Code of Ethics, which serves to establish a standard of business conduct for all of firm personnel. This firm Code of Ethics is based upon fundamental principles of full disclosure, integrity and honesty, competence, confidentiality, professionalism, objectivity and regulatory compliance. A copy of such is available upon request.
- B.      Cornerstone does not recommend, buy or sell for client accounts, any securities or investments in which Cornerstone has any financial interest.
- C.      Cornerstone employees and principal may buy or sell securities that are also recommended to clients. Cornerstone has a personal securities transaction policy in place to monitor the personal securities and securities holdings of all employees and principal. Because Cornerstone's investment recommendations to clients generally consist of mutual funds, Cornerstone employees' personal portfolios would generally hold the same mutual funds held in client accounts. In other words, "we practice what we preach", hence the mutual fund holdings of employees and principal may mimic client mutual fund holdings.

D. Cornerstone may buy or sell securities at or around the same time as those securities are recommended to clients. Because the securities bought and sold are generally mutual funds, these transactions would not affect the securities markets.

## **Item 12 Brokerage Practices**

A. Cornerstone generally recommends that client investment accounts be maintained at Charles Schwab for the execution of client transactions and for the purpose of utilizing custodian services for certain client accounts such as trust accounts including retirement plan accounts. Cornerstone is independently owned and operated and is not affiliated with Charles Schwab. Cornerstone does not receive fees or commissions from any client arrangements with Charles Schwab or from any other designated broker-dealer/custodian.

The client will be required to enter into an Advisory Contract with Cornerstone setting forth the terms and conditions under which Cornerstone will provide investment management services and including separate custodial/clearing agreements with Charles Schwab or with their designated broker-dealer/custodian. Some client accounts that Cornerstone manages may be required to be held in custody at custodians other than Charles Schwab. These client accounts may include client employer's retirement accounts (e.g. 401(k), 403(b), 401(a), and 457(b) retirement plan accounts which may be available exclusively through an approved broker-dealer/custodian (e.g. Vanguard, Fidelity and others in which clients do not have the option of utilizing Charles Schwab as their broker-deal/custodian..

Factors that Cornerstone considers in recommending Charles Schwab include the historical relationship with Cornerstone, financial strength, execution capabilities, pricing, research, reputation and overall customer service. Although Cornerstone will seek out competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to the investment management fee paid to Cornerstone.

1. Research and Other Benefits Available to Cornerstone from Charles Schwab: Schwab Advisor Services is a department of Charles Schwab & Co. serving independent investment advisory firms like Cornerstone Financial Advisors. Cornerstone may receive from Charles Schwab access to its institutional brokerage-trading, custody, reporting and other related support services, not necessarily available to individual retail customers at Charles Schwab. Schwab support services are generally available to independent investment advisory firms like Cornerstone on an unsolicited basis and may include investment-related research, pricing information and market data, software and other technology that provide access to client account data, facilitate trade execution, facilitate payment of Cornerstone fees from client accounts (described under Fees/Compensation) compliance and/or practice management related publications, discounted consulting services, discounted attendance to Charles Schwab conferences, meetings, and other educational classes, and discounted computer software programs.



As indicated above, certain of the support services and/or products that may be received may assist Cornerstone in managing and administering client accounts. Other broker-dealer/custodians may not directly provide such extensive support services as Charles Schwab but assist Cornerstone to manage client accounts that must be held in custodial accounts with other approved, designated broker-dealers/custodians as discussed previously. Cornerstone clients do not pay more for investment transactions effected and/or assets maintained at Charles Schwab as a result of any arrangements with Cornerstone and Charles Schwab. There is no corresponding commitment made by Cornerstone to Charles Schwab or any other entity to invest any specific securities or invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the arrangement between Cornerstone and Charles Schwab or the arrangement between Cornerstone and other designated broker-dealers/custodians.

The availability of these support services from Charles Schwab benefits Cornerstone as we are not charged for these support services. Cornerstone does not have to pay for these support services as long as Cornerstone clients collectively keep a total of at least \$10 million of their investment assets in Schwab accounts. This is a potential conflict of interest. However, we believe that based on the broker-dealer/custodian selection parameters discussed previously, the selection of Charles Schwab as broker-dealer/custodian is supported by the availability and scope of services provided by Charles Schwab. Cornerstone is prepared to pay for the utilization of Charles Schwab support services should Cornerstone be required to pay for these services based on the terms and conditions set forth by Charles Schwab. Cornerstone would consider the payment of such services as a normal cost of doing business.

2. Cornerstone does not receive referrals from broker-dealers.
3. Cornerstone does not generally accept directed brokerage arrangements (when a client requires that account transactions be executed through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their own accounts with that broker-dealer and Cornerstone will not seek better execution services or prices from other broker-dealers or be able to “batch” the client’s transactions for execution through other broker-dealers with orders from other accounts managed by Cornerstone. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. In the event that the client directs Cornerstone to effect securities transactions for the client’s accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through Charles Schwab or alternative clearing arrangements available through Cornerstone.

Cornerstone's Chief Compliance Officer, Maricela M. Ledergerber is available to discuss and address any questions that a client or prospective client may have regarding the above arrangements with Charles Schwab or any other broker-dealer/custodian.

B. Aggregation of Account Trades: Cornerstone generally utilizes mutual funds for the implementation of client investment plans. Hence, the aggregation of account trades and potential additional cost to client accounts do not apply.

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

A. For those client accounts to whom Cornerstone provides investment management services, account reviews are conducted on an ongoing basis by Cornerstone's principal. All investment management clients are advised that it remains the client's responsibility to advise Cornerstone of any changes in their investment objectives and/or financial situation. All clients (in person and via telephone meetings) are encouraged to review their financial planning issues (to the extent applicable), investment objectives and account performance with Cornerstone on a quarterly basis but no less than on an annual basis.

B. Cornerstone may conduct account reviews on an other than periodic basis upon the occurrence of an event such as a change in the client investment objectives and/or change in a client's financial situation, market conditions and/or client initiated request.

C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian. Cornerstone also provides quarterly written investment reports summarizing account activity and performance.

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

A. Cornerstone routinely receives client referrals from current clients, attorneys, accountants, employees, personal friends, and other investment advisers. Cornerstone does not pay or compensate any party for client referrals.

Cornerstone does not receive or accept referral fees in any form whatsoever from any other professionals for which Cornerstone has made an outgoing referral.

B. Cornerstone does not receive any monetary compensation from any third party. As discussed previously, Cornerstone receives an economic benefit from Charles Schwab in the form of support services/products which are also made available to other independent investment advisors whose clients maintain their client accounts at Charles Schwab. These products and services and the benefits derived by Cornerstone from the maintenance of client accounts at Charles Schwab are described above in the paragraph entitled **Item 12 Brokerage Practices**.

## **Item 15 Custody**

Cornerstone does not take custody of client assets or client accounts and Cornerstone is not a qualified custodian. Cornerstone has the ability, provided the client has executed a limited power of attorney with their broker-dealer/custodian to deduct quarterly investment management fees from client accounts. The qualified custodian does not verify or calculate fees that are deducted from client accounts. Cornerstone calculates quarterly fees including those that are deducted from client accounts and clients are provided a fee schedule which details the calculation of individual client fees.

Clients are provided with written transaction confirmation notices from their third party broker-dealers/custodians or partnership sponsors for their client accounts. In addition, Cornerstone provides written, quarterly investment reports to clients. Clients are advised to compare any statement or report provided by Cornerstone with the third party statements received from the brokerage account custodians such as Charles Schwab.

## **Item 16 Investment Discretion**

The client can engage Cornerstone to provide investment management or advisory services on a discretionary basis by executing Cornerstone's Advisory Contract. Cornerstone accepts discretionary authority to manage securities accounts on the client's behalf, provided that the client has established the appropriate brokerage accounts which name Cornerstone as the designated investment advisor.

Clients who engage Cornerstone on a discretionary basis may, at anytime, impose restrictions, in writing on Cornerstone's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase certain securities or impose, add or modify any reasonable restrictions to Cornerstone's management services). It is up to the client to approve the broker-dealer/custodian to be used when you initiate the brokerage accounts. Cornerstone does not receive any portion of transaction fees or commissions paid by clients to broker-dealers/custodians. Discretionary trading authority facilitates placing brokerage trades in client accounts on the client's behalf so to more efficiently implement investment plans and policies that a client has approved either verbally or in writing.

As described in the section **Item 12 Brokerage Practices** there are certain brokerage accounts that may be non-discretionary due to the nature of the client accounts such as those that have specific brokerage account designations such as approved broker-dealers/custodians e.g. Vanguard, Fidelity, etc. for certain retirement plans held at certain educational facilities and other corporate employer retirement plans.

## **Item 17        Voting Client Securities**

A.     Cornerstone does not vote client proxies.     Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other types of events pertaining to the client's investment assets.

B.     Clients will receive proxies or other solicitations directly from their broker-dealer/custodian.     Clients may wish to contact Cornerstone to discuss any questions they may have with a particular solicitation.

## **Item 18        Financial Information**

A.     Cornerstone does not solicit fees of more than \$500.00, per client, six months or more in advance.     Cornerstone does NOT accept advanced fees of more than three months.

B.     Cornerstone does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients including its discretionary authority over certain client accounts.

C.     Cornerstone principal has not been the subject of a bankruptcy petition.

## **Item 19        Requirements for State Advisers**

Personal Data, Formal Education, Business Background, Other Business Activities  
Pertaining To Principal Executive Officers and Management Persons

A.     Cornerstone's principal, Maricela M. Ledergerber was born in New York City, New York on March 25, 1950.

Formal Education: BBA in Accounting—1976 University of Houston (Magna Cum Laude); MBA---Finance ----1979 University of Houston (Magna Cum Laude)

Certified Public Accountant (Illinois)-----1978.     Not a practicing CPA

Employment History: Public Accounting: Arthur Andersen (1976-1979)  
Investment Banking: Underwood Neuhaus (1980-1984)  
Financial Advisory Services: FCA (1984-1993)  
Financial Advisory Services: Beacon Financial Advisors, Ltd  
Founding Co- Principal (1993-1996)  
Cornerstone Financial Advisors (1996-present) Founding  
Principal

Examinations: S-2; S-7; S-63 Passed these examination  
Certified Public Accountant (Illinois): Took and passed examination  
(1978). I am not a practicing CPA

B. Cornerstone and its principal are involved in General Financial Consulting Services which have been detailed in its ADV

C. Cornerstone and its principal do not receive any performance-based fees, whatsoever.

D. Cornerstone's principal has NOT been involved in ANY event described below:

1. Not received an award or otherwise found liable in an arbitration claim alleging damages of any amount whatsoever involving the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statements or omissions;
- (c) theft, embezzlement, or other wrongful taking of property
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair or unethical practices

2. Not received an award or otherwise found liable in a civil, self-regulatory organization, or administrative proceeding involving any of the following:

- (a) an investment or an investment-related business or activity;
- (b) fraud, false statement(s) or omissions;
- (c) theft, embezzlement, or other wrongful taking of property;
- (d) bribery, forgery, counterfeiting, or extortion; or
- (e) dishonest, unfair or unethical practices

E. Cornerstone principal does not have any relationship or arrangement with any issuer of securities that is not listed in Item 10 C of Part 2 A