

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of)
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Cornerstone Capital Management, Inc.,)
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Registrant.)
_____)

CFTC DOCKET NO. SD 10-02

Office of
Proceedings
Proceedings Clerk

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**OPINION AND ORDER ACCEPTING OFFER OF SETTLEMENT OF
CORNERSTONE CAPITAL MANAGEMENT, INC.**

I.

On this date, the Commodity Futures Trading Commission (“Commission”) filed a *Notice of Intent to Revoke Registrations Pursuant to Section 8a(2)(E) of the Commodity Exchange Act, as Amended* (“*Notice*”) against registrant Cornerstone Capital Management, Inc. (“Cornerstone Capital” or “Registrant”). The *Notice* alleges that Cornerstone Capital’s registrations as a Commodity Trading Advisor (“CTA”) and a Commodity Pool Operator (“CPO”) are subject to revocation pursuant to Section 8a(2)(E) of the Commodity Exchange Act (“Act”), as amended, 7 U.S.C. § 12a(2)(E) (2006). To resolve this matter, Registrant has submitted an *Offer of Settlement* (“*Offer*”) that the Commission has determined to accept.

II.

Registrant acknowledges service and receipt of the *Notice*, and this *Opinion and Order Accepting Offer of Settlement of Cornerstone Capital Management, Inc.* (“*Order*”). Prior to any adjudication on the merits, Registrant consents to the entry of this *Order* and to the use of the findings in this *Order* only in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party.

III.

The Commission finds the following:

A. Registrant

Registrant **Cornerstone Capital Management, Inc.** is a California corporation with its principal place of business at 709 Paradise Way, Redwood City, California, 94062. Since October 18, 2002, Cornerstone Capital has been registered with the Commission as a CTA and CPO pursuant to Section 4n of the Act, 7 U.S.C. § 6n (2009).

B. Facts

On September 16, 2008, the U.S. Securities and Exchange Commission ("SEC") instituted public administrative and cease-and-desist proceedings pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, 15 U.S.C. §§ 80b-3(e), (f) and (k) (2009) ("Advisers Act"), and Section 9(b) of the Investment Company Act of 1940, 15 U.S.C. § 80a-9(b) (2009), against Cornerstone Capital, a registered investment adviser with the SEC, entitled *In the Matter of Cornerstone Capital Management, Inc., et al.*, SEC File No. 3-13199.

Thereafter, in response to those proceedings, Registrant submitted an *Offer of Settlement* which the SEC accepted, and, subsequently, on March 20, 2009, the SEC issued an *Order Making Findings and Imposing Remedial Sanctions Pursuant to Sections 203(e), 203(f) and 203(k) of the Advisers Act* ("SEC Order") against Registrant.

In the *SEC Order*, the SEC found, among other things, that Registrant willfully violated Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) and (2), which make it "unlawful to employ any device, scheme, or artifice to defraud any client or prospective client; and to engage in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client."

C. Legal Discussion

Registrant's registrations are subject to statutory disqualification under the Act. Pursuant to Section 8a(2)(E) of the Act, 7 U.S.C. § 12a(2)(E), the Commission may revoke the registration of any person "if such person, within ten years preceding the filing of an application or at any time thereafter, has been found in a proceeding brought by the Commission or any Federal or State agency or other governmental body, or by agreement of settlement to which the Commission or any Federal or State agency or other governmental body is a party, (i) to have violated any provision of ... the Investment Advisers Act of 1940 ... or any rule, regulation or order under any such statute[] ... where such violation involves ... fraud ..."

As discussed above, Registrant entered into the *SEC Order* which contained a finding that Registrant willfully violated Sections 206(1) and 206(2) of the Advisers Act, 15 U.S.C. §§ 80b-6(1) and (2). Thus, pursuant to Section 8a(2)(E) of the Act, cause exists for the revocation of Cornerstone Capital's registrations as a CTA and a CPO.

IV.

OFFER OF SETTLEMENT

Registrant has submitted an *Offer* in which, without admitting or denying the findings herein, Registrant acknowledges service of the *Notice*, admits the jurisdiction of the Commission with respect to the matters set forth in the *Notice*, waives a hearing, all post-hearing procedures, judicial review by any court, any all objections to the participation by any member of the Commission's staff in the Commission's consideration of the *Offer*, any and all claims that it may possess under the Equal Access to Justice Act, 5 U.S.C. § 504 (2006) and 28 U.S.C. § 2412

(2006), and/or Part 148 of the Commission Regulations, 17 C.F.R. §§ 148.1-30 (2009), relating to, or arising from, this action, any and all claims that it may possess under the Small Business Regulatory Enforcement Fairness Act, Pub. L. No. 104-121, §§ 231-232, 110 Stat. 862-63 (1996), as amended by Pub. L. No. 110-28, 121 Stat. 112 (2007), relating to or arising from this action, and any claim of double jeopardy based on the institution of this proceeding or the entry in this proceeding of any order for relief.

In addition, Registrant stipulates that the record basis on which this *Order* is entered consists of the *Notice* and of the findings contained in this *Order* to which Registrant has consented in its *Offer*.¹

Registrant also consents, solely on the basis of the *Offer*, to entry of this *Order* that: Cornerstone Capital's registration as a CTA and CPO shall be revoked pursuant to Section 8a(2)(E) of the Act, 7 U.S.C. § 12a(2)(E) (2006).

V.

FINDING

Based upon the foregoing, the Commission finds that Cornerstone Capital's registrations as a CTA and a CPO are subject to revocation pursuant to Section 8a(2)(E) of the Act, 7 U.S.C. § 12a(2)(E) (2006).

VI.

Accordingly, IT IS HEREBY ORDERED THAT:

Cornerstone Capital's registrations as a CTA and a CPO are hereby revoked.

¹ In its *Offer*, Registrant agrees to the use of the findings in this *Order* in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party; provided, however, that Registrant does not consent to the use of its *Offer*, or the findings or conclusions in this *Order* consented to in its *Offer*, as the sole basis for any other proceeding brought by the Commission, other than in a proceeding to enforce the terms of this *Order*.

The provisions of this *Order* shall be effective immediately. A copy of this *Order* shall be served on the Registrant at the addresses set forth in the *Notice*, on all contract markets, and on the National Futures Association.

By the Commission:



David A. Stawick
Secretary of the Commission
Commodity Futures Trading Commission

Dated: September 30, 2010