

U.S. SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C.

INVESTMENT ADVISERS ACT OF 1940  
Release No. 2778 / September 16, 2008

INVESTMENT COMPANY ACT OF 1940  
Release No. 28380 / September 16, 2008

ADMINISTRATIVE PROCEEDING  
File No. 3-13199

In the Matter of Cornerstone Capital Management, Inc. and Laura Jean Kent

The United States Securities and Exchange Commission (Commission) today issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 and Section 9(b) of the Investment Company Act of 1940 (Order) against Cornerstone Capital Management, Inc. (Cornerstone Capital), a registered investment adviser, and its sole principal, Laura Jean Kent (Kent), 59, of Redwood City, California.

In the Order instituting administrative proceedings against Cornerstone Capital and Kent, the Commission's Division of Enforcement alleges that, despite knowing that certain programs in which they had invested approximately \$15 million of their clients' funds turned out to be scams, Cornerstone and Kent continued to assure their clients that the investments retained their full value. Even after the principals behind some of those investments were convicted of criminal fraud, Kent continued to charge an assets-under-management fee based on the original cost of the failed investments, collecting over a half-million dollars in inflated fees from her clients.

In its Order, the Commission's Division of Enforcement alleges that from 1997 to 2004, Kent and Cornerstone invested their clients' funds in five investments that bore the hallmarks of classic Ponzi or prime bank schemes, each of which produced disastrous results. The promoters in four of the five programs were eventually convicted of fraud, with Kent herself testifying at one of the trials. The Order alleges that despite knowing that the value of the investments was substantially impaired, Kent and Cornerstone continued to send clients quarterly account statements that valued the investments at their original cost. They overcharged clients through fees based on an inflated value of assets under management, falsely claiming that the value reflected the "market price" and "total market value" of the failed investments.

The Division of Enforcement alleges in the Order that through their conduct, Cornerstone Capital and Kent willfully violated the antifraud provisions of Section 206(1) and 206(2) of the Advisers Act.

An administrative hearing will be scheduled to determine whether the allegations in the Order are true, and to afford Cornerstone Capital and Kent an opportunity to establish any defenses to the allegations. The proceedings will also determine whether Cornerstone Capital and Kent should be ordered to cease and desist from committing or causing violations of Section 206(1)

and 206(2) of the Advisers Act, and to determine whether remedial action, including but not limited to, disgorgement and civil penalties, are appropriate and in the public interest. The Order requires that an Administrative Law Judge issue an initial decision no later than 300 days from the date of service of the Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.