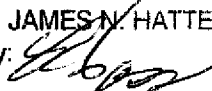


NOV 06 2007

UNITED STATES DISTRICT COURT
for the NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

JAMES N. HATTEN, Clerk
By:  Deputy Clerk

COMMODITY FUTURES TRADING
COMMISSION,

Plaintiff,

v.

Cornerstone Capital Management, LLC, and
Joseph T. Profit II

Defendants.

Civil Action No.:

1:07-CV-0274/Story

**CONSENT ORDER OF PERMANENT INJUNCTION AND
ANCILLARY EQUITABLE RELIEF**

On January 31, 2007, the United States Commodity Futures Trading Commission ("CFTC" or "Commission") filed the Complaint in this civil action against Defendants Joseph T. Profit II ("Profit") and Cornerstone Capital Management, LLC ("Cornerstone"). The Complaint seeks injunctive and other legal and equitable relief for violations of the antifraud provisions of the Commodity Exchange Act, as amended ("Act"), 7 U.S.C. § 1 *et seq.*, and the Commission Regulations ("Regulations") promulgated thereunder, 17 C.F.R. § 1.1 *et seq.*

I.

CONSENT AND AGREEMENT

To effect settlement of this action without a trial on the merits or further judicial proceedings, Profit and Cornerstone (also collectively referred to herein as "the Defendants"):

1. Consent to the entry of this *Consent Order Of Permanent Injunction and Ancillary Equitable Relief* ("Order").
2. Affirm that they have read and agreed to this Order voluntarily and that no promise or threat has been made by the CFTC or any member, officer, agent or representative thereof, or by any other person, to induce consent to this Order, other than as set forth specifically herein.
3. Profit, individually and on behalf of Cornerstone, affirms that he has read this Order and agrees to this Order voluntarily, and that no promise or threat of any kind has been made by the CFTC or any member, officer, agent, or representative thereof, or by any other person, to induce his consent to this Order, other than as set forth specifically herein.
4. Acknowledge service upon them of the Summons and Complaint in this action.
5. Admit this Court's personal and subject matter jurisdiction over them and this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2002).

6. Admit that venue properly lies with this Court pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1 (2002).

7. Waive: (a) all claims that they may possess under the Equal Access to Justice Act (EAJA), 5 U.S.C. § 504 (2000) and 28 U.S.C. § 2412 (2000), to seek costs, fees and/or other expenses relating to or arising from this action; (b) any claim of Double Jeopardy based upon the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief; and (c) all rights of appeal in this action.

8. Neither admit nor deny the allegations of the Complaint or the Findings of Fact and Conclusions of Law contained in this Order, except as to jurisdiction and venue, which they admit. However, Profit and Cornerstone agree and intend that the allegations of the Complaint and all of the Findings of Fact and Conclusions of Law contained in this Order shall be taken as true and correct and be given preclusive effect, without further proof, in the course of any subsequent action to enforce the terms of this Order and any bankruptcy proceeding filed by, on behalf of, or against Profit and/or Cornerstone. No provision of this Order shall in any way limit or impair the ability of any person to seek any legal or equitable remedy against Profit and Cornerstone, or any other person in any other proceeding.

9. Agree to provide immediate notice to this Court and the CFTC by certified mail of any bankruptcy proceeding filed by, on behalf of, or against either of them.

10. Agree to provide notice this Court and the CFTC by certified mail of any change to his contact telephone number(s) and/or mailing address(es) within ten (10) calendar days of the change(s).

11. Agree that neither they nor any of their agents, servants, employees, contractors or attorneys acting under their authority or control shall (1) take any action or make or permit to be made any public statement denying, directly or indirectly, any allegation in the Complaint or finding or conclusion contained in this Order, or creating, or tending to create, the impression that this Order is without a factual basis; and (2) shall take any action or make or permit to be made any public statement denying, directly or indirectly, any of the findings or conclusions in this Order or creating, or tending to create, the impression that any allegation in the complaint or this Order is without factual basis. Profit and Cornerstone shall undertake all steps necessary to ensure that all of their agents, servants, employees, contractors and attorneys understand and comply with this agreement. Nothing in this provision shall affect Profit and Cornerstone's: (1) testimonial obligations or (2) right to take legal positions in other proceedings to which the Commission is not a party.

12. Consent to the continued jurisdiction of this Court for the purpose of determining the amounts of restitution and civil monetary penalties to be paid by them and enforcing the terms and conditions of this Order.

II.

FINDINGS AND CONCLUSIONS

A. Findings of Fact

1. Plaintiff **Commodity Futures Trading Commission** is a federal independent regulatory agency charged with the administration and enforcement of the CEA, 7 U.S.C. §§ 1 et seq., and the Regulations promulgated thereunder, 17 C.F.R. §§ 1.1 et seq.

2. Defendant **Cornerstone Capital Management, LLC** is a business entity organized in Delaware, and lists its main office as being in New York, New York. Cornerstone was registered with the Commission as a Commodity Trading Advisor (“CTA”) and a Commodity Pool Operator (“CPO”) beginning in August 2005. The Cornerstone Capital Management Icon Fund LP (“Icon Fund”), a purported hedge fund, was listed as the only commodity pool it managed. On January 23, 2007, Cornerstone’s registration was suspended by the National Futures Association (“NFA”).

3. Defendant **Joseph T. Profit II** is an individual residing in Atlanta, Georgia. Profit was the purported chief executive officer (“CEO”) of Cornerstone

and the trading principal for all trading in the Icon Fund. Profit is a principal and is registered with the Commission as an associated person ("AP") of Cornerstone. On January 23, 2007, the NFA suspended Profit's registration.

4. On or about May 2005, months before it registered with the Commission as a CPO, Cornerstone commenced operations as a CPO by accepting investments into the Icon Fund. The purported minimum investment for investing in the Icon Fund was \$50,000.

5. Cornerstone also offered a managed trading program called the "Icon Trading Program" whereby Cornerstone purported to manage the trading in individual client accounts via power of attorney. Profit purported to do all trading for the Icon Trading Program, with the trading purportedly mirroring that of the Icon Fund. The portfolio of the Icon Trading Program purportedly consisted of "stock index futures, interest rate futures, currencies and energies." The purported minimum amount required to participate in the Icon Trading Program was \$150,000.

6. The Defendants, by and through agents, solicited prospective pool participants and clients to invest in the Icon Fund and the Icon Trading Program. The Defendants engaged in such solicitations through the use of the U.S. mail or through other means of interstate commerce. In particular, the Defendants solicited participants and clients via the Internet on the website

www.cornerstonecapitalmanagement.com, and via various databases and information providers that are well known in the hedge fund industry.

7. Icon Fund participant investments were deposited in two bank accounts held in the name of the Icon Fund and controlled solely by Profit.

8. A significant portion of these participant investments were not used to purchase futures contracts or other investments for pool participants but instead were withdrawn by Profit and spent on personal items such as meals, greens fees, airline tickets, and lodging. Icon Fund participants would have considered this information important to their determination of whether to participate in the fund.

9. Defendants, through the use of the U.S. mail or through other means of interstate commerce, knowingly made, or caused to be made, material misrepresentations to actual and prospective participants and clients regarding the Icon Fund's trading performance. Specifically, Profit falsely represented that the Icon Fund had generated exceptional annual returns of 42.18% in 2005 and 20.74% in 2006.

10. These performance representations were made on Cornerstone's website and also were provided by the Defendants to various databases and hedge fund information providers that are well known in the industry. These databases and information providers published the performance results provided to them by the Defendants. Profit represented to actual and potential participants and clients

that the profits reported on the Cornerstone website and by the various hedge fund information providers were true and correct.

11. Based Profit's own admissions, the reported performance of the Icon Fund is false, and the Icon Fund has never been profitable. Profit has admitted to losing in excess of \$1,000,000 due to trading losses and personal withdrawals. Actual and prospective Icon Fund participants consider its performance results important to their decision of whether to participate in that fund.

12. Profit, through the use of the U.S. mail or through other means of interstate commerce, also falsely represented to actual and prospective pool participants and clients the amount of assets Cornerstone had under management. Profit represented to a potential client and AP at a Futures Commission Merchant ("FCM") that Cornerstone had more than \$50 million in assets under management. The Defendants reported to various databases and hedge fund information providers that Cornerstone had assets under management ranging from \$20 million to \$60 million. These information databases published the performance results provided to them by the Defendants.

13. These statements were false and misleading. By Profit's own admission the Icon Fund received no more than \$3,200,000 in assets from participants. Icon Fund participants would have considered such information important to their determination of whether to invest in that fund.

14. A purported audited financial statement that Profit delivered to at least one Icon Fund participant represented that the Icon Fund had \$14,810,880 in net assets as of December 31, 2005, and returns in excess of 20% between October 1, 2004 and December 31, 2005. Profit delivered the purported audited financial statement through the use of the U.S. mail or through other means of interstate commerce.

15. Profit admits that the financial statement was not audited but instead was prepared by Profit himself, and that the values reported in the financial statement were false and without any foundation whatsoever. Icon Fund participants would have considered such information important to their determination of whether to invest in that fund.

16. Cornerstone was required to provide the NFA with an Annual Report for each pool it operated pursuant to Regulation 4.22(c). The NFA is a registered futures association designated as such under the Act. Cornerstone failed to provide any Annual Report to the NFA.

17. On March 22, 2006, in response to a request from the NFA for an Annual Report for the Icon Fund, Profit stated to the NFA that the pool had not yet accepted funds from participants, or begun trading.

18. In September 2006, Profit, on behalf of Cornerstone, again represented to the NFA in response to a question on an annual NFA questionnaire

provided to Cornerstone (the "NFA Questionnaire Response"), that the Icon Fund had not yet commenced operations.

19. Based on Profit's ultimate representation to the NFA officials that the pool began accepting subscriptions as early as May 2005, the representations that the pool had not accepted funds or commenced operations in March and September 2006 were false.

20. In the NFA Questionnaire Response, Profit also represented that Cornerstone did not have any funds under management.

21. Based upon account records from various FCMs that demonstrate that Cornerstone was conducting CTA activity and managing the trading in client accounts via power of attorney as early as March 2006, Profit's representation that Cornerstone did not have any funds under management was false.

22. On January 22, 2007, NFA officials, in furtherance of their duties, met with Profit. During this meeting, the NFA officials requested pertinent records, including, among other things, Icon Fund's balance sheet and general ledger, and any account statements Cornerstone had sent out. Profit stated that he did not have any of these records. Further, he stated that he had not prepared or provided any monthly account statements to participants.

23. During this January 22, 2007 meeting, in response to questions from NFA officials in furtherance of their duties, Profit represented that

Cornerstone did not have any CTA clients. Later, after further NFA questioning about Cornerstone's CTA activity, Profit conceded that Cornerstone in fact had three CTA clients. Upon further inquiry by the NFA officials in furtherance of their duties, Profit changed his story again and represented that Cornerstone actually had six CTA clients.

24. Profit willfully concealed from the NFA the identities of clients for which Cornerstone was conducting CTA activity. The identity of these clients and Cornerstone's CTA activity were material to the NFA because it would assist them in determining whether Profit and/or Cornerstone complied with the Act and Regulations.

25. Profit is Cornerstone's controlling person. Profit purports to be the CEO of Cornerstone and the trading principal for all trading in the Icon Fund and the accounts managed through the Icon Trading Program. Profit was sole signatory on all trading and bank accounts controlled by the Defendants, and at all times controlled funds invested by participants in the Icon Fund.

B. Conclusions of Law

26. This Court has jurisdiction over this action pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, which provides that whenever it shall appear to the CFTC that any person has engaged, is engaging, or is about to engage in any act or practice constituting a violation of any provision of the Act or any rule, regulation,

or order promulgated thereunder, the CFTC may bring an action against such person to enjoin such practice or to enforce compliance with the Act.

27. Venue properly lies with this Court pursuant to Section 6c(e) of the Act, 7 U.S.C. § 13a-1(e), because Profit resides in and Cornerstone transacted business in the Northern District of Georgia, and the acts and practices in violation of the Act and/or Regulations occurred within this District, among other places.

28. Cornerstone acted as a CPO in that it engaged in a business that is of the nature of an investment trust, syndicate, or similar form of enterprise, and in connection therewith, solicited, accepted, or received from others, funds, securities, or property for the purpose of trading in any commodity for future delivery on or subject to the rules of any contract market or derivatives transaction execution facility.

29. Cornerstone acted as a CTA in that it, for compensation or profit, advised others as to the value of or the advisability of trading in commodity futures.

30. Profit acted as an AP and principal of Cornerstone, a registered CPO and CTA, and his conduct alleged above occurred during the scope of his employment with Cornerstone.

31. By the conduct described in Section II.A above, Profit and Cornerstone directly or indirectly employed a device, scheme, or artifice to defraud

clients and/or participants, or engaged in transactions, practices or a course of business that operate as a fraud or deceit upon clients and/or participants, and thereby violated Section 4o(1) of the Act, 7 U.S.C. § 6o(1).

32. By the conduct described in Section IIA above, Profit willfully concealed material information from, and made use of a false writing knowing the same to contain a false statement to a national futures association acting in furtherance of its duties, and thereby violated Section 9(a)(4) of the Act, 7 U.S.C. § 13(a)(4).

33. By the conduct described in Section II.A above, Cornerstone never filed an Annual Report to the NFA for the pools it operated for the years 2005 and 2006, and thereby violated Regulation 4.22(c), 7 C.F.R. § 4.22(c) (2004).

34. Profit, directly or indirectly, controlled Cornerstone and did not act in good faith or knowingly induced, directly or indirectly, the acts constituting Cornerstone's violations. Profit is thereby liable for Cornerstone's violations of the Act and Regulations pursuant to Section 13(b) of the Act, 7 U.S.C. § 13c(b).

35. Cornerstone is also liable for Profit's violations of the Act and Regulations pursuant to Section 2(a)(1)(B) of the Act, 7 U.S.C. § 2(a)(1)(B).

III.

PERMANENT INJUNCTION

This Court, being fully advised in the premises, finds that there is good cause for the entry of this Order and that there is no just reason for delay. This Court therefore directs the entry of a permanent injunction, orders Profit and Cornerstone to pay restitution and a civil monetary penalty in amounts to be determined at a later date, and orders other equitable relief pursuant to Section 6c of the Act, 7 U.S.C. § 13a-1, as set forth herein.

A. **IT IS HEREBY ORDERED** that Profit and Cornerstone, along with any of their agents, servants, employees or assigns and persons in concert or participation with them who receive actual notice of this Order by personal service or otherwise, and all other persons or entities served with a copy of this Order, are permanently restrained, enjoined, and prohibited from directly or indirectly:

1. While acting as a CPO, or an AP of a CPO, employing a device, scheme, or artifice to defraud clients or participants, or engaging in a transaction, practice or a course of business that operates as a fraud or deceit upon clients participants, in violation of Section 4o(1) of the Act, including, but not limited to, conduct such as that set forth in Section II.A above;

2. Willfully concealing material information from, or making use of a false writing knowing the same to contain a false statement to a registered futures

association acting in furtherance of its duties in violation of Section 9(a)(4) of the Act, 7 U.S.C. § 13(a)(4); and

3. Failing to submit required annual reports to the NFA in violation of Regulation 4.22(c), 17 C.F.R. § 4.22(c) (2004).

B. IT IS HEREBY FURTHER ORDERED that Profit and Cornerstone are permanently restrained, enjoined, and prohibited from directly or indirectly engaging in any activity related to trading in any commodity, as that term is defined in Section 1a(4) of the Act, 7 U.S.C. § 1a(4) (“commodity interest”), including but not limited to, the following:

1. Trading on or subject to the rules of any registered entity, as that term is defined in Section 1a(29) of the Act, 7 U.S.C. § 1a(29);

2. Engaging in, controlling, or directing the trading of any commodity interest accounts for or on behalf of any other person or entity, whether by power of attorney or otherwise;

3. Soliciting or accepting any funds from any person in connection with the purchase or sale of any commodity interest contract;

4. Placing orders or giving advice or price quotations, or other information in connection with the purchase or sale of commodity interest contracts for themselves and others;

5. Introducing customers to any other person engaged in the business of commodity interest trading;

6. Issuing statements or reports to others concerning commodity interest trading;

7. Applying for registration or claiming exemption from registration with the CFTC in any capacity, and engaging in any activity requiring such registration or exemption from registration with the CFTC, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9), or acting as a principal, agent, officer or employee of any person registered, required to be registered, or exempted from registration, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9); and

8. Engaging in any business activities related to commodity interest trading.

C. IT IS HEREBY FURTHER ORDERED that the injunctive provision of this Order shall be binding upon Defendants, upon any person who acts in the capacity of officer, agent, employee, attorney, successor and/or assign of either of the Defendants and upon any person who receives actual notice of this Order, by personal service or otherwise, insofar as he or she is acting in active concert or participation with either of the Defendants.

IV.

RESTITUTION AND CIVIL MONETARY PENALTY

IT IS HEREBY ORDERED that Profit and Cornerstone shall comply fully with the following terms, conditions and obligations relating to the payment of restitution and civil monetary penalty:

A. RESTITUTION

1. Profit and Cornerstone, jointly and severally, shall pay full restitution restitution, plus pre-judgment and post-judgment interest, in an amount to be determined by agreement between the CFTC and Profit within ninety (90) days of the winding up of the court-appointed receivership in this case, or as soon as possible thereafter by the Court after an evidentiary hearing to all persons who gave funds, either directly or indirectly, to Defendants as a result of the course of illegal conduct alleged in the Complaint.

2. Pre-judgment interest shall accrue from May 2005 to the date of entry of this Order and shall be determined by using the underpayment rate established quarterly by the Internal Revenue Service pursuant to 26 U.S.C. § 662(a)(2).

3. Post-judgment interest shall accrue beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961.

2. The procedure for the payment and distribution of restitution shall be determined by the Court at a later date.

B. CIVIL MONETARY PENALTY

1. Profit and Cornerstone, jointly and severally, shall pay a civil monetary penalty, plus post-judgment interest, in an amount to be determined by agreement between the CFTC and Profit within ninety (90) days of the winding up of the court-appointed receivership in this case, or as soon as possible thereafter by the Court after an evidentiary hearing.

4. Post-judgment interest shall accrue beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961.

5. Defendants shall pay this civil monetary penalty by electronic funds transfer, U.S. postal money order, certified check, bank cashier's check, or bank money order. If payment is to be made other than by electronic funds transfer, the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

Commodity Futures Trading Commission
Division of Enforcement
Attn: Marie Bateman – AMZ-300
DOT/FAA/MMAC
6500 S. MacArthur Blvd.
Oklahoma City, Oklahoma 73169
Telephone: 405-954-6569

If payment is to be made by electronic funds transfer, Defendants shall contact Marie Bateman or her successor at the above address to receive payment instructions and shall fully comply with those instructions. The paying Defendant shall accompany payment of the penalty with a cover letter that identifies the paying Defendant and the name and docket number of the proceedings. The paying Defendant shall simultaneously transmit copies of the cover letter and the form of payment to the Director, Division of Enforcement, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581, and the Chief, Office of Cooperative Enforcement, at the same address.

C. PRIORITY OF MONETARY SANCTIONS AND PARTIAL PAYMENTS

1. All payments by Defendants pursuant to this Order shall first be applied to satisfaction of their restitution obligation. After satisfaction of their restitution obligation, payments by Defendants pursuant to this Order shall be applied to satisfy Defendants' civil monetary penalty obligation.

2. Any acceptance by the Commission of partial payment of Defendants' restitution obligation and/or civil monetary penalty shall not be deemed a waiver of the respective requirement to make further payments pursuant to this Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.

V.

MISCELLANEOUS PROVISIONS

IT IS FURTHER ORDERED THAT:

1. **Jurisdiction:** This Court shall retain jurisdiction of this cause to determine amount of the Defendants' restitution and civil monetary penalty obligations, assure compliance with this Order and for all other purposes related to this action.

2. **Interpretation and Enforcement:** This Order shall be interpreted and enforced according to the Federal Rules of Civil Procedure, the Local Rules of the United States District Court for the Northern District of Georgia, and all provisions of the Act and Regulations, relating or referring to the obligations hereunder.

3. **Notices:** All notices required to be given by any provision in this Order shall be sent certified mail, return receipt requested, as follows:

Notice to the Commission:
Attention - Director of Enforcement
Commodity Futures Trading Commission
Division of Enforcement
1155 21st Street N.W.
Washington, DC 20581

4. **Waiver:** The failure of any party to this Order or of any participant/investor at any time to require performance of any provision of this Order shall in no manner affect the right of the party or participant/investor to enforce the same or any other provision of this Order at a later time. No waiver in

one or more instances of the breach of any provision contained in this Order shall be deemed or construed as a further or continuing waiver of such breach or waiver of the breach of any other provision of this Order.

5. **Acknowledgements:** Upon being served with a copy of this Order after entry by this Court, Profit shall sign an acknowledgment of service and serve the acknowledgment on this Court and the CFTC within seven (7) calendar days.

6. **Invalidation:** If any provision, or the application of any provision of this Order is held invalid, the remainder of this Order and the application of the provision to any other person or circumstance shall not be affected by the holding.

7. **Entire Agreement and Amendments:** This Order incorporates all of the terms and conditions of the settlement among the parties hereto. Nothing shall serve to amend or modify this Order in any respect whatsoever, unless:
(1) reduced to writing; (2) signed by all parties hereto; and (3) approved by order of this Court.

8. **Authority:** Profit represents, warrants and covenants that he is a corporate representative of Cornerstone, that this Order has been duly authorized by Cornerstone, and that he has been duly empowered to sign and submit it on behalf of Cornerstone.

9. **Counterparts and Facsimile Execution.** This Agreement may be executed in two or more counterparts, all of which shall be considered one and the

same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered (by facsimile or otherwise) to the other party, it being understood that all parties need not sign the same counterpart. Any counterpart or other signature to this Agreement that is delivered by facsimile shall be deemed for all purposes as constituting good and valid execution and delivery by such party of this Agreement.

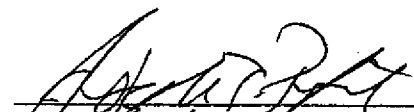
Done and Ordered this 5th day of November, 2007, at Atlanta, Georgia.


UNITED STATES DISTRICT JUDGE

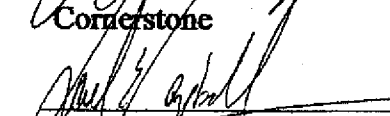
Order of Permanent Injunction and Ancillary Equitable Relief consented to and approved for entry by:


Joseph T. Profit II, individually

Dated: 10/12/2007,
2007


Joseph T. Profit II, on behalf of
Cornerstone

Dated: 10/12/2007,
2007


Lael E. Campbell
Attorney for Plaintiff
U.S. Commodity Futures Trading
Commission
1155 21st Street, N.W.
Washington, DC 20581

Dated: 10/31/2007,
2007