

Part 2B of Form ADV: *Brochure Supplement*

Laura J. Kent

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Cornerstone Capital Management, Inc.

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This brochure supplement provides information about Laura Kent that supplements the Cornerstone Capital Management, Inc. brochure. You should have received a copy of that brochure. Please contact Laura Kent if you did not receive Cornerstone Capital Management, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Laura Kent is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for Laura Kent is 1185708.

Item 2. Educational Background and Business Experience

Laura Jean Kent

Year of Birth: 1948

Education:

- Michigan State University, B.A. in Economics, 1971
- Wayne State University, M.A. in Economics, 1975
- Stanford University, M.B.A. in Finance & Strategy, 1978

Business Background:

- Cornerstone Capital Management, Inc., President, 1997 – Present

Item 3. Disciplinary Information

REGULATORY ACTION (SEC):

During a routine audit by the SEC, questions were raised regarding the valuation of certain private placement positions held in some client portfolio accounts and the assessed management fees related to those private placement positions. Looking in hindsight, the SEC alleged that Cornerstone and Laura Kent knew or should have known that the value of certain private placement programs were impaired when Cornerstone charged asset based management fees on its quarterly portfolio reviews. Cornerstone Capital Management had maintained these residual private placement positions at cost, which was its policy. The SEC alleged that by maintaining the values at cost, Cornerstone ended up collecting higher management fees by the proportionate percent the SEC inferred they should have been marked down. Additionally, the SEC felt Cornerstone did not communicate all information it knew or should have known about the programs. In the settlement, Cornerstone and the SEC agreed that a percentage of the management fees attributable to those private placements would be returned to the impacted clients. No penalties or fines were involved or assessed.

REGULATORY ACTION (STATE OF WASHINGTON)

On September 23, 2004, the Washington Securities Division entered a Consent Order against Laura Kent, Cornerstone Capital Management, Inc., and Cornerstone Investment Circle, LLC. The Division had entered a Summary Order to Cease and Desist against them in October 2000. The Division alleged that Laura Kent, doing business as Cornerstone Capital Management, Inc. and representing herself as a federally registered investment adviser, offered and sold to Washington residents unregistered interests in Cornerstone Investment Circle, LLC. Those proceeds were then purportedly used to purchase fictitious securities, i.e., "Prime Bank Instruments." At the time of the offer and sale of the LLC interests and the "Prime Bank Instruments",

Laura Kent was not registered as an investment adviser or a securities salesperson, either federally or in any state. Pursuant to the terms of the Consent Order, Laura Kent was ordered to cease and desist from violations of the registration and anti-fraud provisions of the Washington Securities Act.

Item 4. Other Business Activities

Laura Kent is not engaged in any other business or occupation.

Item 5. Additional Compensation

Laura Kent does not receive any additional compensation from third parties for providing investment advice to its clients and does not compensate anyone for client referrals.

Item 6. Supervision

Laura Kent, as President and Chief Compliance Officer, is responsible for the supervision and monitoring of investment advice offered to advisory clients of Cornerstone Capital Management, Inc. She can be reached at 650-368-5600. Laura Kent will review all employee personal securities transactions on a quarterly basis, oversee all material investment policy changes, and conduct periodic testing to ensure that client objectives and mandates are being met.

Item 7. Requirements for State-Registered Advisers

A. Additional Disciplinary History

ARBITRATION – AWARD IN EXCESS OF \$2,500:

- Advisory Affiliate involved: Laura J. Kent
- Initial Date of Arbitration/Reparation Claim: 09/10/2003
- Product Type: Private Placement
- Arbitration/Reparation Claim filed with: AAA
- Allegations: Misunderstanding of timing desired by client for return of principal
- Current Status: Final
- Judgment Rendered: January 30, 2004
- Resolution: Monetary Award of \$65,000
- Summary: Client claimed they communicated their need for quick repayment of investment, although this had not been the understanding at the time of the investment. Evidence supported Ms. Kent, but judge ruled in favor of client (at 80% of amount requested by client).

B. Bankruptcy History

Laura Kent has not been the subject of a bankruptcy petition.