# STATE OF NORTH CAROLINA

Department of The Secretary of State

IN THE MATTER OF:

NORTH CAROLINA SECURITIES DIVISION,

Petitioner,

vs.

CORNERSTONE MINISTRIES INVESTMENTS, INC.
2450 Atlantic Highway, Suite 904
Cumming, Georgia 30040;

CECIL A. BROOKS
2450 Atlantic Highway, Suite 904
Cumming, Georgia 30040

JOHN T. OTTINGER
2450 Atlantic Highway, Suite 904
Cumming, Georgia 30040

Respondents.

**CONSENT ORDER TO CEASE & DESIST**

File: 06-042-IG

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The Securities Administrator, acting through her duly-appointed Deputy Securities Administrator, pursuant to and under all authority granted by Chapter 78A of the North Carolina General Statutes (the North Carolina Securities Act), and with the consent of the above-named Respondents CORNERSTONE MINISTRIES INVESTMENTS, INC. (hereinafter referred to as "Respondent" or "CMI"), CECIL A. BROOKS (hereinafter referred to as "Respondent" or

"BROOKS"), and JOHN T. OTTINGER (hereinafter referred to as "Respondent" or "OTTINGER") (collectively, the "Respondents"), does hereby enter into this Consent Order in settlement of the above-captioned matter. Respondents admit the jurisdiction of the Division. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law contained in the Consent Order and agree to the entry of this Consent Order to Cease and Desist.

## FINDINGS OF FACT

1. Respondent CMI is a Georgia corporation whose address is listed as 2450 Atlantic Highway, Suite 904; Cumming, Georgia 30040.

2. Respondent BROOKS is a natural person, who at all times relevant to this Order was the Chief Executive Officer of CMI.

3. Respondent OTTINGER is a natural person, who at all times relevant to this Order was the Chief Operating Officer and Registered Agent of CMI.

4. CMI finances the purchase of land and construction of buildings for churches and other faith-based organizations.

5. From May 7, 2001 until June 1, 2006, Respondents offered for sale and sold shares of Common Stock and Series B, C, D, and E Certificates of Indebtedness issued by Cornerstone Ministries Investments, Inc. to persons in North Carolina.

6. CMI provided to the Division a Cornerstone Ministries Investment, Inc. Shareholder List dated 3-23-2005, which indicated that from May 7, 2001 through February 21, 2005, CMI and securities salespeople acting on behalf of CMI offered and sold shares of common stock in CMI to 37 persons in North Carolina.

7. CMI further provided to the Division a more current Cornerstone Ministries Investment, Inc. Shareholder List dated 9-21-2006 reflecting 17 North Carolina shareholders that purchased CMI common stock during the relevant time in question and continue to hold common stock in CMI.

8. CMI further provided to the Division a listing, dated 9-19-2006, of North Carolina investors who had purchased CMI Series B, C, D, and E Certificates of Indebtedness, which indicated that from May 14, 2001 through June 1, 2006, CMI and securities salespeople acting on behalf of CMI offered and sold CMI Series B, C, D, and E Certificates of Indebtedness to persons in North Carolina resulting in 199 sales.

9. The common stock and certificates of indebtedness described above are "securities" as that term is defined in N.C.G.S. §78A-2(11).

10. During the period of time from May 7, 2001 and June 1, 2006, the securities offered and sold by the Respondents to persons in North Carolina were not registered with the Securities Division of the Department of the Secretary of State under the provisions of the North Carolina Securities Act, either prior to or at the time of being offered or sold, and the securities were not exempt from registration nor covered under federal law, and the offers and sales were made in violation of N.C.G.S. §78A-24.

11. In connection with the offer for sale and sale of the above-described securities, Respondents represented in at least 3 Form SB-2s filed with the United States Securities and Exchange Commission (SEC) that in relation to Respondent CMI " The shares are approved for listing on the Chicago Stock Exchange." On the Form SB-2 filed April 26, 2000 with the SEC, in addition to such representations of approval for listing, the Respondents represented that "[t] he shares are approved for listing on the Chicago Stock Exchange under the symbol 'IHN.'" These representations were materially misleading or otherwise likely to deceive the public, because the Chicago Stock Exchange had not at that time approved the proposed securities offerings of CMI.

12. With respect to the offer for sale and sale of the above-described securities, such securities did not qualify for the exemption at N.C.G.S. §78A-16(15), which exempts from registration "... [a] ny security listed or approved for listing upon notice of issuance on an exchange registered with the United States Securities and Exchange Commission... provided such security ...[or] exchange ... is approved by rule of the Administrator...."

BASED UPON THE FOREGOING findings of fact, and consistent with the consent and stipulation of the Respondents, the Securities Administrator makes the following:

## CONCLUSIONS OF LAW

1. The Securities Administrator has jurisdiction over the subject matter of this proceeding and over the Respondents.

2. The shares of Common Stock and the Series B, C, D and E Certificates of Indebtedness described in paragraphs 5 through 8 are "securities" as defined by N.C.G.S. §78A-2(11). The offers and sales of the securities described in paragraphs 5 through 8 were required to be registered with the Securities Division of the Department of the Secretary of State pursuant to N.C.G.S. §78A-24.

3. The North Carolina Securities Act does not provide for an exemption from registration for the CMI securities offered and sold to persons in North Carolina in the manner described in paragraphs 5 through 8.

4. Respondents have violated the provisions of N.C.G.S §78A-24 requiring the registration of securities prior to their offer and sale to persons in the state of North Carolina.

5. By representing that the CMI securities described in paragraphs 5 through 8 were "approved for listing" on the Chicago Stock Exchange, Respondents made misrepresentations of material fact in connection with the offer and sale of such securities, in violation of N.C.G.S. §78A-8.

6. The entry of this Consent Order to Cease and Desist is in the public interest, for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the North Carolina Securities Act.

**NOW, THEREFORE**, with the consent, stipulation and agreement of the Respondents,

**IT IS HEREBY ORDERED** that:

1. Respondents shall cease and desist offering for sale, soliciting offers to purchase, or selling, in or from North Carolina, securities in the form of CMI Common Stock or Certificates of Indebtedness or any other securities, unless and until such securities have been registered pursuant to the provisions of the North Carolina Securities Act, or unless such securities or transactions in securities are exempt from registration or are securities covered under federal law.

2. Respondents shall not hereafter violate any provision of the North Carolina Securities Act or the rules promulgated thereunder.

3. Within 10 days of the date of execution of this Order, the Respondents shall deliver by certified mail, return receipt requested, a written Rescission Offer (the "Offer"), in substantially the form of the document attached as Exhibit A, to all persons in the state of North Carolina that purchased the securities described in this Consent to Cease and Desist Order. The Respondents shall deliver to the Securities Division a copy of each Offer mailed to each person who purchased the securities, and a copy of each response received from an investor.

4. Respondents, by their execution of this Consent to Cease and Desist Order, waive their rights to a hearing and judicial review thereof. Said Respondents affirmatively state that they have freely agreed to the entry of this Order, and that no threats, promises or offers of any kind, other than as stated in this document, have been made by the Securities Administrator, Deputy Securities Administrator, any member of the staff of the Securities Division, or any agent or employee of the Department of the Secretary of State, in connection with the entry of this Consent Order.

*(signatures of persons executing this Order appear on the following page)*

AGREED AND CONSENTED TO this day 8 of November 2006.

By: _____

Its: President

Respondent:
CORNERSTONE MINISTRIES INVESTMENTS, INC.

By: _____

Respondent:
CECIL A. BROOKS

By: _____

Respondent
John T. Ottinger

THE NORTH CAROLINA SECURITIES DIVISION:

By: _____
David S. Massey
Deputy Securities Administrator

EXHIBIT A

Form of Cornerstone: **Notice to North Carolina Investors**

[Cornerstone Ministries Investments, Inc. Letterhead]

**SENT CERTIFIED MAIL**

[Date]

Re: **RESCISSION OFFER**

[Investor Name]
[Investor Address]

Dear [Investor Name]:

On [**date**] you purchased a Cornerstone Ministries Investments, Inc. ("Cornerstone") **certificate of indebtedness** in the principal amount of $_____. [To be modified as appropriate for purchasers of **stock**.]

The North Carolina Securities Division has informed us that during the period of May 7, 2001 through June 1, 2006, we (Cornerstone) offered and sold securities to persons in North Carolina in violation of the North Carolina Securities Act, because the securities offered and sold were neither registered with the North Carolina Securities Division in accordance with N.C.G.S.§78A-24, nor were they exempt from the registration requirement, nor were they securities covered by federal law and therefore not subject to North Carolina's registration requirements.

In addition, in the prospectus we provided in connection with your investment, we stated that Cornerstone's securities "have been approved for listing on the Chicago Stock Exchange, under the symbol 'IHN'." Although the Exchange had conditionally approved Cornerstone's stock for listing subject to its meeting certain of the Exchange's listing requirements, the stock was not actually listed on the Exchange. Because we stated that Cornerstone's stock was approved for listing, when it was not, we may have violated section 78A-8(2) of the North Carolina Securities Act (the "Act"). This statute makes it unlawful for any person, in connection with the sale of any security, to make any untrue statement of a material fact, or to omit to state a material fact necessary in order to make the statement made, in the light of the circumstances under which it was made, not misleading.

**We are offering to rescind this transaction and repurchase the securities you bought, by paying back to you the amount you paid for these securities, plus interest on that amount at the rate of 8% per year from the date of purchase, less the amount of income you may have received on the security.**

**If at the time you receive this rescission offer, you no longer own the security because you have sold it or given it away, we offer to pay you an amount in cash**

**equal to your damages as calculated under the provisions of the Securities Act. If this is the case, damages will be calculated as: (1) the price you paid for the security, (2) plus interest at 8% per year calculated from the date you bought the security, (3) minus the amount of income received on the security, (4) minus the sum of (a) the amount you received in payment when you disposed of the security and (b) interest on that amount at the rate of 8% per year.**

If you accept this offer, complete the form attached to this offer and return it to Cornerstone along with your certificate(s) of indebtedness, or with a statement that you no longer own the security. [To be modified as appropriate for purchasers of stock.]

The North Carolina Securities Act provides that, by making this offer, Cornerstone will extinguish any legal right you may have to bring an action against the Cornerstone for these violations of the Act.

You have 30 days from date of receipt this Rescission Notice to accept this offer and 45 days from receipt of this offer to return your securities if you accept rescission. You do not have to accept this offer. If you do not return your securities within the 45 days from receipt of this Rescission Notice, you will be deemed to have rejected the rescission offer.

Attached to this letter is a form for you to complete and return to us. Check the box that corresponds to your decision, sign and date the form, and mail the form in the enclosed envelope. Please fill out and return the form even if you decide to keep your certificates of indebtedness. (stock)

If you have any questions concerning this rescission, you may contact [add Cornerstone contact or counsel] or David S. Massey, Deputy Securities Administrator, North Carolina Department of Secretary of State at (919) 733-3924.

Sincerely,

BROOKS
President
CEO

To:

[Contact Name at Issuer]
Cornerstone Ministries Investments, Inc.
[Issuer Address]

**RE: RESCISSION OFFER**

Dear [Contact Name at Issuer]

I have received your letter dated [Date of Letter] and considered your offer to buy back the Cornerstone Ministries Investments, Inc. certificates of indebtedness that I purchased.

**ACCEPTANCE OF THE RESCISSION OFFER:**

_____**- I accept your offer of rescission.** Please return my invested capital to me with interest at the rate of 8%, less interest or dividends I have received from the date of purchase. If I have disposed of my securities, I am enclosing a statement of the date on which I disposed of the securities and the price I received for them, so that you may calculate the payment that you will be sending me.

Date: _____

Signature: _____

Print name: _____

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**REJECTION OF THE RESCISSION OFFER:**

_____**- I do not accept your offer of rescission.** I elect to keep my investment.

Date: _____

Signature: _____

Print name: _____