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(Originally marked exhibits attached to the original of the deposition and a copy attached to all copies produced.)

1 committee counsel will ask him a few questions, and then we
2 will open it up to the audience for any questions.

3 Before I proceed any further, though, I am going to ask
4 Mr. Levin if he would like to make some comments to you
5 before we start.

6 MR. MATTHEW LEVIN: As Mr. Morawetz said, my name is
7 Matthew Levin. I'm with the law firm of Alston and Bird,
8 based in Atlanta. We have been selected by the unsecured
9 creditors committee to represent the committee in this case.
10 The committee just so everyone is aware is comprised of seven
11 members, all seven of whom are bondholders of this debtor.
12 Several of them are sitting in the back row back there. They
13 are essentially designed--or the committee is designed to
14 give a voice, if you will, to all of the creditors; not just
15 the bondholders, but all unsecured creditors in the case,
16 although I think the vast majority of the unsecured debt in
17 this case belongs to the bondholders.

18 The committee was formed a couple of weeks ago, retained
19 counsel and have retained financial advisors as well. The
20 committee's financial advisors have been out at the debtor's
21 offices for the past week digging into the books and records
22 trying to get an independent view to advise the committee as
23 to essentially what happened from their point of view, what
24 is the best way to deal with this debtor going forward and
25 the best way to maximize value for all of the people in this

1 room and obviously all the other bondholders.

2 The other function of the committee ultimately is to
3 communicate to the creditors information that would be of
4 interest to them. As some of you may know, I believe the
5 debtor has a web site set up that by their claims agency,
6 BMC, that is providing some basic information about the case,
7 the pleadings that have been filed and so forth.

8 The committee's role is to establish its own web site
9 this week, and that web site will contain information that
10 may not be on the BMC web site but may be information that
11 may be of interest to the creditors. What we will done is
12 once that web site is establish is we will probably mail out
13 a postcard to all the bondholders to let them know what the
14 address is of that web site on the internet and then you can
15 check that as you check the debtor's web site for information
16 that may be of interest to you.

17 Obviously if you have any questions regarding the case
18 you should always feel free to call counsel and we will be
19 happy to answer whatever questions we can. Please
20 understand, though, that to some degree we may be limited in
21 responses we can give you. Our job as counsel to the
22 committee is to represent the committee. That is our client,
23 although the committee speaks essentially on behalf of all of
24 the bondholders and all of the unsecured creditors in this
25 case. We don't represent all of you; we just represent the

1 committee. So to a certain degree attorney-client privilege
2 issues may dictate that we can't give all the information you
3 may be looking for, but we will do our best to give you as
4 much information as we can. With that, I'll turn it back to
5 Mr. Morawetz.

6 MR. MORAWETZ: Thank you very much, Matthew.

7 MR. JOHN SANDERS: I think I'll make a presentation at
8 the end.

9 MR. MORAWETZ: Okay, at this time, Mr. Ottinger, I'll
10 ask you to raise your right hand.

11 Whereupon,

12 **JOHN OTTINGER, JR.**

13 having first been duly sworn, testified as follows:

14 **EXAMINATION**

15 **BY MR. MORAWETZ:**

16 Q Would you state your name for the record, please?

17 A John T. Ottinger, Jr.

18 Q And what is your capacity with the corporate
19 debtor?

20 A I am the interim CEO and President.

21 Q Can you just tell us briefly the nature of the
22 debtor's business operation? I know almost everyone here
23 already knows that, but I would just like to know--for you to
24 summarize the nature of the debtor's business operations and
25 explain what prompted the filing of the Chapter 11 petition.

1 A Okay, thank you. I appreciate the opportunity to
2 share this information with all of you. Many of you I've
3 talked to on the phone and tried to share the same data.

4 Cornerstone as many of you know, started twenty some
5 years ago and has gone through a variety of structures and
6 incarnations, but it's basic business model has remained
7 relatively constant. The idea is to aggregate investment
8 dollars from people like yourselves and to take those dollars
9 and make short term loans to various types of non-profits or
10 non-profit related entities, to acquire or develop land or
11 build buildings for which they can achieve their purposes.

12 Many of these loans were made to churches in the early
13 days. I personally saw through the closing of over three
14 hundred church loans. We expanded into other non-profit
15 related areas as well into lending to entities that though
16 not--instead of lending directly to the non-profit, loaned to
17 subsidiaries of the non-profits.

18 Over time I'm guessing, but I think we've done close to
19 four hundred fifty loans over the overall twenty two and half
20 year history. We have only foreclosed to date on one loan, a
21 very small one, and we actually made money at the end of the
22 day on that.

23 Cornerstone elected to--I'll say this. I worked and
24 have worked at Cornerstone for approximately twenty two
25 years, but after a bout with cancer I had decided that I

1 would retire. I did effectively do that, announced that in
2 the summer of 2006 to be effective at the end of 2006. I
3 remained on the masthead for three months in order to sign
4 the final financial report for 2006, and then went to pursue
5 some other things and provide some consulting services.

6 I was asked by the Board of Directors at the very end of
7 2007, December 20th, to be exact, if I would come in to
8 replace the CEO at that time who for health reasons had to
9 resign. I was very willing to do so, not only because my
10 family is a very significant investor in Cornerstone, but
11 because basically my entire adult life had been spent
12 building it, and I know most of you by name, if not in
13 person, and I felt an obligation to do that.

14 When I got to Cornerstone we delved into a flurry of--in
15 fact, this was January 2nd effectively. We delved into a
16 flurry of activity. One, to see where the various
17 refinancings were as well as what the obligations were and
18 spent a couple of weeks just trying to get a handle on that.

19 Basically the way we have serviced and paid you your
20 interest over the many years of history is by having made a
21 loan working feverishly to get it paid back earlier than it
22 was scheduled, and for the most part except for two churches,
23 we've done that. The ability to repay principal and interest
24 is primarily based of course on the ability of the borrowers
25 to pay principal and interest on their loans.

1 When the credit markets began--and the real estate
2 markets began to deteriorate in the early summer of 2007, the
3 pipeline of refinancings that had been started for the
4 various borrowers, of which there are many, but a couple of
5 large ones, the pipeline of refinancing began to--basically
6 dried up. Deals that were ready to go, the lenders could not
7 obtain their own financing so they could not fund the
8 financing that was to pay off Cornerstone, that the borrowers
9 would obtain.

10 Other deals were what they call in the industry
11 retraded. The original terms of the deal were changed to
12 become either impossible to live with by the borrower or
13 impossible for Cornerstone to accept where we might have to
14 take less than a full payback on our loan, and I just don't
15 think that would have been the right situation at that time.

16 But there was a significant pipeline of loans that could
17 or should have closed and which were strung out and strung
18 out and strung out, so that there was always the assumption
19 and always a belief, and really the assurance that these
20 loans would close.

21 Q When I came in, in January and delved into it and
22 realized that while the loans might indeed close, they would
23 be closed after the window that would keep Cornerstone out of
24 default. Let me footnote right there. Under the trust
25 indenture, which governs your bonds, our bonds, there is a

1 sixty day window for the payment of principal and interest
2 when due. If you don't make that sixty day window you are
3 given a notice of default by the Trustee and then you have
4 thirty days to fix it, so you have ninety days to solve your
5 problem. If it takes ninety one days, too late. If it takes
6 ninety days and one minute technically it's too late.

7 I became increasingly concerned after the middle of
8 January that the refinancings that were in the pipeline, plus
9 the new ones I started in motion when I got there would not
10 take place in the time frame and so we would go into a bond
11 default, which I considered to be a meltdown, and would be an
12 extremely costly result of the credit market and real estate
13 market crunches that we're experiencing, not the least of
14 which was yesterday's big news with Bear Stearns.

15 After much consultation with the Board of Directors,
16 with various experts, financial and legal, we felt that the
17 best protection for the investors was to pursue a
18 reorganization to create some breathing room for us to get
19 the refinancings to catch up to the bond maturities. We made
20 that final decision as a Board of Directors on Friday
21 morning, the 8th of February, and made the filing on Sunday,
22 the 10th, and of course y'all have seen some of the fall out
23 results of that.

24 Q Thank you very much. Can you give us an idea of
25 where you see the case headed? I guess what I'm really

1 asking is do you see Cornerstone simply collecting the loans
2 that are outstanding and not making new loans, or do you see
3 Cornerstone continuing to operate by making new loans?

4 A There's every possibility that Cornerstone could
5 continue to make new loans as these loans are repaid, but I'm
6 concerned to do what the people I consider to be the owners
7 of the company, what they want to do. There are
8 opportunities that we could pursue. There are requests for
9 loans on my desk, but we have some obligations to meet before
10 we get there, but, yes, there is a market back in our niche,
11 our best niche that we could pursue very actively.

12 Q The loans that matured and could not be paid
13 because the refinancing was available, have those borrowers
14 continued to make interest payments?

15 A Well, many of them were construction or development
16 loans, because again our interest is in short term loans, but
17 those often don't--you have a capitalized interest rather
18 than a cash interest payment. So to collect our interest
19 payments they needed to be refinanced or their lots needed to
20 be sold, and once the market for that stuff kind of went on
21 hold their ability to give us the cash went away, but we
22 continue to accrue interest on those loans.

23 Q So the borrower--it wasn't like they had tenants or
24 purchasers?

25 A Not in a number of the loans.

1 Q Okay.

2 A Because we did--as all of you may remember the
3 news--our housing portfolio, which was a big cash generator,
4 was sold in April at the very top of that market and it
5 repaid us all of our money. That was a providential thing
6 that happened at that time, but the idea was for that to be
7 replaced and unforeseen to anybody in the market the real
8 estate market just dried up.

9 Q I've got a housekeeping question that I need to ask
10 you about the bankruptcy schedules and the statement of
11 financial affairs that were filed in the case. Do you know
12 what documents I'm referring to?

13 A Yes. I don't have them in front of me.

14 Q Well, I've got them. I have a copy that I
15 downloaded. On the top it's a Statement of Financial Affairs
16 and then there's documents that are called Bankruptcy
17 Schedules, which list the assets and liabilities of the
18 company. Does that refresh your recollection?

19 A Yes, right.

20 Q Did you sign these documents?

21 A Yes.

22 Q Did you read them before you signed them?

23 A Yes, sir.

24 Q Is the information that is contained in these
25 documents true and correct to the best of your knowledge and

1 belief?

2 A To the best of my knowledge.

3 Q Do you know of any corrections or changes as you
4 sit here today that need to be made to those documents?

5 A I'm not aware of any but there may be some.

6 Q I understand. I just had one question about the
7 specifics. Item twenty three of the Statement of Financial
8 Affairs, it indicates that Mr. Waymiller, Jack Waymiller, who
9 was the previous CEO, received compensation of approximately
10 two hundred thirty four thousand dollars twice a month. Is
11 that correct? Am I reading that correctly?

12 A No. That was his total compensation for the year.

13 Q Oh, okay.

14 A Of that he got a paycheck twice a month.

15 Q That was my question. Thank you very much.

16 A Well, I could answer that one. Thank you for that
17 correction, and where do I get that job.

18 Q Now, I have seen in SEC documents a reference to--
19 or somewhere. A forty million dollar revolving credit line
20 with Bernard National Funding?

21 A Yes.

22 Q Is that still outstanding?

23 A The total amount they were willing to advance would
24 have been forty million. The outstanding balance is eighteen
25 point eight million.

1 Q Can you help me find that in the bankruptcy
2 schedules? I couldn't find that in the schedule. I'm sure
3 it's there.

4 A If I could ask Mr. Sanders. He's more familiar
5 with the forms than I.

6 Q Absolutely.

7 MR. JOHN SANDERS: Jim, why don't you go ahead and
8 ask questions while I dig through.

9 Q According to I think again the SEC documents there
10 is seventy six million dollars worth of loans to Wellstone,
11 LCC that matured in 2008.

12 A Yes, I believe that's correct.

13 Q Do you expect those loans to be repaid or do you
14 consider any of those loans to be impaired?

15 A We have put two loans on the impaired list because
16 their sales are behind the schedule that was proposed when
17 the loans were originally made. It does not mean we don't
18 expect them to be repaid, it just means that according to the
19 original terms they are not meeting those terms, so based on
20 our procedures we will put them there and put them on the
21 monitor list and include a certain loan loss reserve against
22 them.

23 Q There are two of those?

24 A Yes, we put two of them there. We do expect full
25 repayment at this time, but we are in an depth process with

1 them and with Meridian to value all of their assets and work
2 on their strategies for repayment.

3 Q Can you just tell me briefly the relationship
4 between Wellstone, LCC and Enable Capital Advisors? Is there
5 a relationship between those two entities?

6 A For a period of time Enable, formerly CCA, provided
7 accounting services for them. One of the principals of
8 Enable at the request of the lenders to Wellstone, LLC, asked
9 that they be a participant while they were a lender to them,
10 while First United Bank was lending to Wellstone, LLC. They
11 asked that a number of the principals of Cornerstone and/or
12 affiliates, in that case Enable, which provides the services,
13 if we would be willing to stand for those loans. In order to
14 do so they wanted us to serve on that Board, so we did so for
15 approximately fourteen months.

16 Q So do I understand that Enable has guaranteed the
17 loans, or some of the loans to--

18 A --No, Enable has not guaranteed loans for
19 Wellstone, LLC. The only person who ended up guaranteeing
20 loans for Wellstone was me.

21 Q You personally guaranteed some loans to Wellstone?

22 A Yes, at the request of the lender, because it was
23 in the best interest of the bondholders.

24 MR. MORAWETZ: Okay, that's all the questions I
25 have at this time. I'm going to turn it over to Mr. Levin.

1 Mr. Levin does not have any questions at this time. Are
2 there any questions from anyone, any of the creditors that
3 are here today? Yes, sir, would you please state your name?

4 MR. JOHN HUMPHREY: My name is John Humphrey.

5 MR. MORAWETZ: And can you grab one of those mics?
6 That's a cordless mic.

7 **BY MR. HUMPHREY:**

8 Q It was just a quick question on what the web site
9 is that these documents are available, the Statement of
10 Financial Affairs. Is it posted up?

11 A It's BMCGroup.com. The web site for all the
12 documents if you really have insomnia is BMCGroup.com, and
13 then on the upper left hand corner it will say bankruptcy
14 filings. Flash on that and depending on how your page shows
15 up Cornerstone will be about two inches from the bottom on
16 the list. Flick there and at the top of the page for
17 Cornerstone you will see the Statement of Financial Affairs.

18 Q And one other question I have is my understanding
19 correct that there's only been one default and there's
20 several others that may go into default that are not yet in
21 default. Is that the status of the loan?

22 A Well, in the current market I wouldn't be surprised
23 that we would perhaps declare certain loans are default, but
24 that's a discussion that we're having with our auditors who
25 for technical reasons are on hold right at the moment, but we

1 are evaluating every loan and looking at the current market
2 value of the asset and collateral. We do expect to see that
3 certain loans will be written down because that's where the
4 market is. You see what's happening out there. There is no
5 point in us continuing to say accrue interest on a loan when
6 there is not a chance of recovering it from the assets.

7 Q How many loans are currently behind in payments,
8 not yet in default but just behind in payments?

9 A I think the analyst and I counted eleven out of
10 seventy at this point. That could mean as much as one month
11 behind.

12 MR. HUMPHREY: Thank you.

13 MS. GERALDINE MCDONALD: My name is Geraldine McDonald.
14 I have a couple of questions.

15 **BY MS. GERALDINE MCDONALD:**

16 Q One, I'm not sure if this is the time to ask it,
17 but about proof of claims.

18 MR. MORAWETZ: Yes, ma'am.

19 Q Can we send in a proof of claim now even though we
20 haven't received the final statement?

21 MR. MORAWETZ: Yes, yes, you can send it now if you wish
22 to. There is no deadline currently set for those claims.

23 Q Okay. When they say send it in before the bar
24 date, what does that mean?

25 A The bar date is the deadline and there is no bar

1 date, but when one is set notices will have to go out to all
2 creditors. You will receive notice of when that bar date is,
3 but you can go ahead and file it now if you wish to.

4 Q Okay.

5 MR. MATTHEW LEVIN: Let me say one word on that. One of
6 the things the committee is talking to the debtor about, it
7 would be I think our preference to have the Trustee, the
8 indentured Trustee, file one master proof of claim on behalf
9 of all the bondholders so that none of the six thousand or so
10 bondholders that are out there necessarily missed the bar
11 date. We don't want that to happen.

12 This is a discussion that we're having with the debtor
13 and the debtor's counsel. It's one of the many things that
14 we're dealing with in this case, and that's one of the
15 reasons why no bar date has been set yet, because we're still
16 trying to work those issues out.

17 Q Okay, so are you suggesting that we not send in a
18 proof of claim then at the present time?

19 MR. MATTHEW LEVIN: Ultimately it's your choice whether
20 to do that. As I say, you're not under a deadline to do it
21 as of today, and it is our hope that we will reach an
22 agreement with the debtor that will allow the Trustee to file
23 one proof of claim on behalf of all the bondholders and then
24 the Trustee will make distributions based on these records
25 when he gets those from the debtor, but at this point we

1 haven't reached that point. It's up to you whether you
2 choose to file it or not.

3 MR. JOHN SANDERS: I'm John Sanders, debtor's counsel.
4 I want to echo what Matthew has been saying. We are hoping
5 that we can arrange a facility with whoever our new Trustee,
6 indentured Trustee, so that no one will have to file a proof
7 of claim. Now if it makes you feel more comfortable to do
8 so, for goodness sake, go ahead and do it. If it helps you
9 sleep at night, there is certainly nothing wrong with doing
10 that.

11 Also, so you will know, when we filed our schedules with
12 the Statement of Affairs we have every bondholder listed, and
13 for each bondholder we put the amount that our books and
14 records show that y'all were due and owed on the date of
15 filing, which includes both principal and interest, and I
16 don't believe that we noted that any of those were subject to
17 any kind of objection by the debtor, so you are protected
18 there.

19 But once again, if it makes you feel more comfortable to
20 file a proof of claim, do so. But we are striving and I
21 believe that we can with the help of the committee, come to
22 an arrangement where we get a new indentured Trustee and they
23 will file one master proof of claim that will take care of
24 everyone.

25 MR. NATHAN CARROLL: My name is Nathan Carroll.

1 **BY MR. NATHAN CARROLL:**

2 Q If we've already filed a claim and it goes to what
3 the counsel just talked about, going up there will not affect
4 us in any way?

5 MR. JOHN SANDERS: No, it will not. The fact that you
6 have filed a proof of claim will not have any kind of
7 negative effect on you whatsoever.

8 MR. NATHAN CARROLL: Thank you.

9 MR. RAY JONES: My name is Ray Jones, and this question
10 is for Jack.

11 **BY MR. RAY JONES:**

12 Q Jack, when you add up the assets, revalued assets,
13 liabilities, what will we have left?

14 A I can't give you the exact dollar amount off the
15 top of my head, but at this point I think all of us agree
16 that it's more than the principal amount of the bonds
17 invested.

18 Q Repeat that.

19 A It's more than the principal amount of the bonds
20 that we owe, the total assets that we have that we expect is
21 larger than that. How the market plays out over the next few
22 months as we do that if I could predict that I would probably
23 be on a boat in the Bahamas, and I don't mean to make light
24 of it, but it's just so hard at this point, but at this point
25 we're--as of this meeting we are confident that our assets

1 are substantial, that they are real hard assets. Many of
2 them are being appraised or reappraised as we speak, and at
3 this point all indications are that we will get all of our
4 principal back.

5 MR. RAY JONES: Thank you, Jack.

6 A The goal here is to see how much further we can go
7 there. I'm not prepared to settle for anything, but in the
8 current market there are some things that we are just going
9 to have to settle for because it's the best we can do.

10 MR. JIM READ: My name is Jim Read.

11 **BY MR. JIM READ:**

12 Q I have one little quickie. We have an IRA that is
13 set up and it's through Reliance Trust Company, and I see
14 they are part of this refilling here. We keep getting a
15 charge or we get a charge every year, you know, to administer
16 this fund. Is that still going to remain under the whole
17 umbrella, the bankruptcy, the refiling.

18 A I want to make sure I understand your question.
19 Are you asking does the Chapter 11 filing change how your
20 certificate is held?

21 A It does not. It remains held just like my IRA
22 remains held for my benefit by the IRA trustee or custodian.

23 Q Okay. They being the custodian--well, we're
24 retired. What if we wanted to cash in on that right now.
25 Can we not do that?

1 A No, you could not do that right at the moment.

2 Q It's still on hold?

3 A Yes.

4 MR. J.P. MILES: I am J. P. Miles, speaking for my wife,
5 Latrelle Miles and myself.

6 **BY MR. J.P. MILES:**

7 Q Could you please clarify the interest? This will
8 be the third month we are behind in interest. I understand
9 after bankruptcy filing the interest might not be
10 accumulating. Is that correct?

11 MR. JOHN SANDERS: This is John Sanders answering the
12 question. What the bankruptcy code provides for is that if
13 you have an unsecured claim that it does not accrue interest
14 unless at the end of the day it turns out that the debtor is
15 solvent, so if--I don't want to hold out any hope here,
16 because as Jack has pointed out, given the market we're in I
17 don't think it's reasonable to assume at the end of the day
18 that we're going to be solvent and pay everybody a hundred
19 cents on the dollar, so under the bankruptcy code unsecured
20 claims when the case is filed they stop accumulating
21 interest.

22 Q But on this proof of claim up until the point of
23 bankruptcy it will be fully--

24 MR. JOHN SANDERS: --Absolutely. In fact, the schedules
25 that we filed where we list every bondholder by name that

1 amount that's in there represents current principal and
2 interest as of February 10th.

3 MR. JIM MORAWETZ: Let me just clarify that a little
4 bit. What that basically means is you don't get--interest
5 does not accrue. You won't be paid interest after the
6 petition date except to the extent there is money available
7 to pay it. Of course, that's obvious anyway.

8 MR. STEVE COLBERT: Steve Colbet. I have a warm up
9 question.

10 **BY MR. STEVE COLBERT:**

11 Q Jack, you responded that the company, your company
12 has more assets than bondholder claims can be. That assets
13 does not include real estate I presume?

14 A Does not include what, sir?

15 Q Real estate, the secured loans, your obligations to
16 secured loans.

17 A That's net of secured loans.

18 Q I'm sorry?

19 A It's net of the secured loans. We have a secured
20 loan for six million dollars, and then we have roughly a
21 hundred twenty-six million in bond principal and
22 approximately fifteen, sixteen million in accrued interest.
23 If we take off the secured loan at this time. Let's assume
24 somehow or another we--the cash comes in from the properties
25 that secure that loan and we pay them off, make them go away

1 as quickly as we possibly can, then what's left in terms of
2 assets is still more than the hundred twenty six million.

3 Does that answer your question?

4 Q I had no idea what proportion was secured loans.

5 A As you can tell, a very small portion.

6 Q Okay, sir. Now, the question that I got warmed up
7 for you. As I read the prospectus, and tell me if I'm asking
8 too deep a question. As I read the prospectus Wellstone was
9 obligated to something like a best effort to sell the
10 Wellstone bonds. Is that correct?

11 A Are you talking about Wellstone Securities?

12 Q Say again.

13 A That's Wellstone Securities.

14 Q Wellstone.

15 A Your broker?

16 Q Right, right, Wellstone Securities had a best
17 effort obligation to sell--according to my reading, to sell
18 Cornerstone bonds. Is that right?

19 A That's correct.

20 Q What were the limits or appropriateness applied to
21 that best effort?

22 MR. JOHN SANDERS: Well, if I may, that's a question
23 that needs to be asked to the broker.

24 Q Well, I have.

25 MR. JOHN SANDERS: Okay. I mean I'm not--that's

1 nothing. I don't think that's something that Jack should
2 opine to. The brokers are the one who had the responsibility
3 and if you feel that they were in any way exercised improper
4 advice, activity, I think that needs to be addressed to them.
5 Now certainly the debtor would like to know if some of these
6 brokers were acting inappropriately, but I think that's
7 asking for a legal opinion on--

8 A --Well, I asked Mr. Waymiller about that this
9 morning and apparently there was some inappropriateness.

10 MR. JOHN SANDERS: Well, we certainly like to be told if
11 one of these brokers is doing something improper, but in
12 terms of commenting on what they've done and what their
13 standard is--

14 MR. STEVE COLBERT: That's fine. Thank you very much.

15 MR. JOHN SANDERS: Yes, sir.

16 MR. PAUL SCHELLE: My name is Paul Schelle. I have a
17 question pretty simple for me anyhow.

18 **BY MR. PAUL SCHELLE:**

19 Q Will all of the bondholders without regard to the
20 extent of their investment be treated equally in the solution
21 of this?

22 A Absolutely.

23 MR. CHARLES HOUSE: My name is Charles House, and I'm
24 also a bondholder.

25 **BY MR. CHARLES HOUSE:**

1 Q I would like to know what Cornerstone's plans--what
2 must happen for you to emerge from bankruptcy and what do you
3 plan to do and what is your plans for that?

4 MR. JOHN SANDERS: Well, let me tell you a little bit
5 about the process of Chapter 11. I'll try to keep this as
6 short and simple as I can. I'm sorry, I'm generally soft
7 spoken. If I start to pull it away again, just flag me.

8 I'm going to tell you a little bit about the process of
9 Chapter 11, and Matthew is here. If he sees something I've
10 missed, and the Trustee's representative as well, I'm sure
11 they will pipe up and tell me what I've left out.

12 Typically what will happen at the end of the day is the
13 debtor will propose hopefully in cooperation with the
14 Trustee's committee--I mean the unsecured creditors
15 committee, a plan of reorganization. That plan can as we
16 have discussed here provide any number of potential
17 resolutions, one being simply a controlled liquidation of the
18 assets and the pay out of those assets to a creditor, you
19 all.

20 On the other end of the scale it can be a reorganization
21 of the business whereby it goes forward, the bonds are
22 reinstated in some manner or form and it continues to
23 operate. The process I would like to tell you is a quick
24 one, but frankly the quickest Chapter 11 I've ever seen is
25 probably six months. It can typically go as far as two

1 years. I know that Jack is very distraught hearing that, but
2 that's just the case.

3 The most important thing is that we maximize the return
4 to the creditors. If it makes sense to do that in a quicker
5 fashion and we can do it, that's what we're aiming for. But
6 if it takes us a little longer that's the best way to go. We
7 don't want to fire sale these assets. We don't want to sell
8 into a down market and take any unnecessary losses. Our
9 obligation and our goal here is to maximize return.

10 Q With Jack and the folks out at Enable working with
11 the committee and any other professionals that we may retain
12 to help us with that, that is the goal. But I would say that
13 we are probably looking closer, you know, more toward the
14 range of two years than we are to six months.

15 **BY MR. CHARLES HOUSE:**

16 Q To maximize returns can take several different
17 directions. Surely the management has some preference for
18 that?

19 MR. JOHN SANDERS: Yes, that is. The management does
20 have a preference, and that would be to go ahead and to
21 continue what they have been doing, which is to try and find
22 lenders for our borrowers, to go ahead and close the loans
23 out as quickly as possible, and that's what Jack has been
24 working on and has deals already in flight where hopefully
25 even in this constricted credit market we can find other

1 lenders who will step in and loan money to our borrowers who
2 in turn can repay us for the debt that is owed, hopefully in
3 full. Now, there may be instances where judgment says go
4 ahead and take a small write down, you know, and get this
5 loan closed out now, and that will be a call that will have
6 to be made and Jack will make it once again in concert with
7 the advice from the creditors committee, but our hope is to
8 go ahead and obtain other lending sources to help our
9 borrowers as we have done in the past to go ahead and pay
10 these loans off before they are actually--instead of waiting
11 out their full term, which is what the business model has
12 always been.

13 MR. MATTHEW LEVIN: Let me just add one comment to
14 John's description. Obviously the committee may have a
15 different view than the debtor, and that's why we retained
16 our own financial professionals to analyze the debtor's books
17 and records to look into potential claims against third
18 parties, if anything exists. There are as you noted any
19 number of ways to maximize value. It can be selling loans.
20 It can be potentially suing people if claims exist. All of
21 these things are being looked at very closely, and
22 appropriate actions will be brought.

23 The other thing that the committee's job here is as John
24 mentioned, if a deal materializes that the debtor believes is
25 a good deal, they will bring it to us, we will give our view

1 on that, and we will either come to an agreement or we won't.
2 That's just the way the process works.

3 If the debtor is determined to proceed on a deal that
4 the committee feels is inadvisable they will file a motion
5 with the bankruptcy court and we will object, and that's what
6 the judge's job is, is to decide that dispute.

7 Just so the people in this room is aware, the committee
8 has already objected to several things that the debtor has
9 sought to do in the early part of this case, not necessarily
10 because we disagreed with the action they were seeking to do.
11 Mostly because we needed more time having just gotten on
12 board to look at this stuff, and so, you know, we have taken
13 appropriate action and filed objections where we felt it was
14 appropriate in order to give everyone a chance to analyze
15 this situation and determine at least from the creditors
16 committee standpoint what we feel the best course for this
17 debtor is.

18 I would like to say that we will come to some happy
19 agreement and everybody will be in lock step and walking
20 together down the road of reorganization hand in hand, but we
21 don't know, and we'll just have to see how it plays out.

22 A That being said, if I could speak on behalf of your
23 staff, who are significant investors in the fund, that there
24 is a tremendous congruence, if that's the right word, of
25 interest here. That what your staff, me included, want to

1 see is what is best for all of us, and I'm often asked what
2 is the plan. My plan is to give the investors that which
3 they feel is best for them, not what's best for me, because
4 to be honest with you the best for me would be go back to
5 retirement and teaching, but that's not best for you.

6 We are working well at this time with our financial
7 analysts. My management approach is to ask permission rather
8 than forgiveness, but I'm also going to generate a tremendous
9 amount of activity and ask the creditors committee to keep
10 up. That's okay, that's okay with that. I know the
11 committee wants to see me do that. They want to see me
12 busting my back on your behalf.

13 I do see this. I told the creditors committee when I
14 met with them, I see this as a collaborative effort. Many
15 times in these situations you will see management fighting to
16 retain something for themselves because they've got stock
17 options or they've got this or they've got that.

18 We don't have any I don't think mixed motives here. We
19 may have differences in judgment and that's because God has
20 made us all different with different perspectives, but
21 eventually we can come to terms it seems to me if we all
22 understand the facts and so on. I'm working with Chris
23 Tierney and Rob, whose last name I can never remember.
24 Morgan. From the financial analysts that the creditors
25 committee has chosen, Hays Financial. They are bright,

1 bright young men, and have already blessed our staff with
2 their insights to us and given us some very helpful work.

3 I'm very hopeful about our relationship. We see
4 ourselves as servants to you as a whole and servants to the
5 committee as well. That is the approach--I just want you to
6 understand what our approach is here. The Board of Directors
7 of Cornerstone, you as investors have me to give you my best
8 judgment on my twenty three years of history with the fund
9 and with you. That doesn't make me right. That just makes
10 me not able to find another job in twenty three years at
11 best. What it makes me is one good voice to put into the mix
12 to find the right and proper outcome for us all.

13 MR. JOHN TRIMBLE: My name is John Trimble, and I'm from
14 the big city of Adairsville, Georgia. My wife Patricia is
15 here today, and we are bondholders. We appreciate your
16 insight and words and everything, but I'm a little hard of
17 hearing so I'm not sure if--you, too?

18 A I've got my hearing aids in.

19 **BY MR. TRIMBLE:**

20 Q I don't know if my financial adviser is here today.
21 I think he's ducked down in the seat. So after this is over
22 we meet with the Trustee, add our name to the list, fill out
23 a form or something like that, and we can go on the internet
24 and you will give us updates on the internet. Are you going
25 to have some mail outs as the process goes along if we need

1 to know something else?

2 A Yes. The creditors committee and we at the office
3 will do our best to keep you posted on what you need to do as
4 far as what you need to do. As far as the proof of claim
5 what we were saying earlier was that what we're trying to do
6 is just work out the mechanism. In principle we all agree,
7 let's get the trustee to file on behalf of everybody, cut
8 down the paperwork. Every one of the proof of claims cost me
9 us a penny and a half of our money to process each time we
10 send one in. If we can save a penny and a half you'll save
11 some money over time, so what we're trying to do is do it on
12 everyone's behalf. That way it's done. Nobody misses any
13 due dates or whatever. We have the BMC Group web site I
14 mentioned earlier. We will have one hopefully this week on
15 Hays Financial, who is the financial analyst team, with
16 additional information. Then from time to time as we are
17 requested to or we get permission to, we will send you an
18 update on what's going on or what's happening as is agreeable
19 to all the parties. Whether that will happen as quickly as
20 we all want it to, I don't know. I'm frustrated by the
21 process that I just can't crank out mailings and tell you
22 what I'm thinking this week, but that's what I would love to
23 be able to do.

24 Q And I've forgotten all of your names. Who is
25 Jamie? Is Jamie here today?

1 A No, he is not.

2 Q Tell him I said hello. He said he would be here
3 with a walking stick.

4 A Okay.

5 Q My last question is will we be able to get a short
6 term loan to help me get through the next year?

7 MR. TODD BOWERLY: My name is Todd Bowerly.

8 A Hey, Todd.

9 **BY MR. BOWERLY:**

10 Q Could you tell us what the amount of the impaired
11 loans with Wellstone is? You said there were two I think.

12 A I'm trying to picture the sheet in front of me. I
13 did not bring it with me. I believe it is nineteen--no,
14 fifteen million.

15 Q Okay. And are Wellstone and Meridian your largest
16 two debtors?

17 A They are the largest two debtors, and that's where
18 we are putting a lot of focus and creativity.

19 Q Okay. And who are the principals that are critical
20 in Wellstone and Meridian being able to perform and to
21 reorganize and getting the loans that they need?

22 A In terms of who manages their business?

23 Q Absolutely.

24 A Okay, you have at Wellstone, you have John Lowery.
25 Tommy Clements is CFO. Rusty Cremminger, Director of

1 Marketing. Jeff Cremminger, Director of Sales. John Fox,
2 Head of Construction.

3 Q Okay, and Meridian?

4 A And Meridian you have Walt McGill, President. Eric
5 Conner, Vice-President and CFO. Charles Broussard, Head of
6 Construction, and a small support staff.

7 Q Okay. I know that your group in all of this is
8 very distressful. Are those people all holding in there?
9 Are those teams in place? Have there been key people who
10 have left and what do you need from them in order to make
11 this go well, and are they cooperating with you?

12 A They are. Todd's question is are they team players
13 with us. Absolutely. They are cooperating. We have
14 encouraged and they have followed a lot of our advice as to
15 how they should perhaps streamline their operations to save
16 costs and funds, and also to pursue various financing
17 opportunities. Most of the financing opportunities that I've
18 brought to them are ones that come out to their advantage as
19 well as ours. The best thing to do is go win-win situation,
20 so it's not been too hard to convince them to go down those
21 roads. Then using again the experience that I have, we've
22 been able to come along side them. We all have our down days
23 at the office. I will admit I woke up this morning with fear
24 and trepidation, but I also know that a lot of people are in
25 our corner and I appreciate every one of you who have sent

1 notes and messages of encouragement to the staff. We have
2 cut down our staff significantly. They are carrying extra
3 loads. I wish you could all meet them and appreciate their
4 hearts. If it's true that where your treasure is your heart
5 is also, on a human level that's where these folks are. Many
6 of them from Sissy to Frank to Jamie to Barbara to T.J., have
7 been with us many years, have given long hours way beyond
8 what a nine to five payday gets, particularly in these very
9 difficult times. I know it's frustrating for all of you.
10 They have been on the receiving end. I'm thinking
11 particularly of Sissy, Jamie and Don and Lynne. They have
12 answered your calls and will continue to answer your calls.
13 Understand they didn't do it. You know, nobody did it. It
14 happened. But these guys are great and they are doing their
15 absolute level best to look after your interest.

16 Q We thank you for that. All sixty six of my
17 investors thank you. We pray for you every day.

18 A Thank you.

19 Q Besides Wellstone and Meridian who are your next
20 two largest borrowers?

21 A Senior Housing Services and Senior Housing
22 Alternatives would be the next two borrowers. I couldn't
23 quantify them off the top of my head, but they would be.

24 MS. ANNA MARIA RIOS: My name is Anna Maria Rios. My
25 first language is Spanish.

1 **Court Reporter Remark** Part of Ms. Rios comments were
2 not audible due to language problem and turning away from
3 reporter while speaking and not using microphone**

4 **BY MS. RIOS:**

5 Q I want to take the opportunity, especially for this
6 time, I would like to know if here is somebody that already
7 invests in this company and they hear they are suppose to put
8 the money back to you. Is somebody here that invests money
9 and when the time comes you still have money back to you?
10 You, okay. And you also.

11 Because to start with it seems we invest our money on
12 your company and I am afraid we are never going to see that
13 money back, especially me. When my husband said to me before
14 we knew that your company went into bankruptcy, oh, we are
15 not receiving a check, it is three months they are not paying
16 me now. I say, okay, that's it. That's it. He goes, okay,
17 you are very decent to me and everything, but I'm sorry, I
18 came here today because I would like to know if we all can
19 get together and hire a very good lawyer and if we can have
20 somebody to fight for us, because you all look very decent
21 and have a lot of experience also in this business.

22 I mean very high salaries, big mansions, big cars. I
23 mean your whole family and all these people that love us and
24 work for us I am pretty sure that they live a very good life.
25 For us to invest money in your company I work and save my

1 money. I am not a rich person. I have two sons. They both
2 went to college and I make them suffer to save those few
3 dollars that now you are keeping, and I want them back. I
4 want my money back. That's why I want everybody's name and
5 telephone number, everybody, not all the people are here,
6 because we need a lawyer because this is the second time I
7 see bankruptcy in my life, and what really bothers me is that
8 the rich people are still there in their mansions. They are
9 not in jail. If it's for me I send them all to jail, because
10 the market be very, very bad. In a few months your company
11 go into bankruptcy. What did they with all that money. I
12 mean really bad business, really bad business. I know the
13 economy is very bad. In four months, in six months you
14 already went into bankruptcy.

15 To me I know nothing about business, but from what I'm
16 seeing is I mean a lot of people have spent a lot of money on
17 things. That's why, you know, if we can get all together and
18 do something. That's it.

19 MR. JIM MORAWETZ: Let me just clarify something. The
20 United States Trustee's office, one of the things that we're
21 directed to do in these cases is to appoint a committee of
22 the creditors to hire an attorney, just like you're talking
23 about, and we have done that in this case. There is a
24 committee and that committee has hired the law firm of Alston
25 and Bird to represent them, and Mr. Levin is a member of that

1 firm, Alston and Bird, so he is in effect representing you.

2 MR. RIOS: He said before he doesn't represent us.

3 MR. MORAWETZ: Well, I think what he was referring to
4 was in terms of giving you information when you ask for
5 information. He doesn't represent you individually. There
6 may be some problems with a request for information, to not
7 be surprised, that this can happen, but his job is to make
8 sure that the unsecured creditors in this case gets as much
9 as possible. That is his job. So when you talk about let's
10 all get together and hire an attorney, that's his role in
11 this case.

12 MS. RIOS: Who pays for him?

13 MR. MORAWETZ: You do.

14 MS. RIOS: (**Comments could not be heard**)

15 MR. MORAWETZ: That's true. Every dime that goes to the
16 attorney or any other professional in this case is one less
17 dime to be distributed to creditors. That's true.

18 MR. MATTHEW LEVIN: Just to amplify what Jim said, I see
19 one, two, three, four committee members sitting in the
20 audience today. They are bondholders just like you. There
21 are seven people on the committee. All seven of them are
22 bondholders. They all hold varying amounts of the bonds in
23 this case. They want to get paid back just as much as you
24 want to get paid back. Indeed, when we were hired by the
25 committee that's exactly what they told us. They said your

1 job is to get as much money back for us as is possible in
2 this circumstance. So we in effect are speaking on behalf of
3 all the bondholders, because we represent seven of your
4 number. That's their job and their fiduciary obligation is
5 to represent your interest and your interest only. They are
6 not here to represent debtor. They are simply here to
7 represent the creditors of which you are ninety nine percent
8 of those creditors.

9 MR. RIOS: Is there any way to find out the names and
10 phone numbers in case we need to ask questions from these
11 members?

12 MR. MATTHEW LEVIN: We can get you that list,
13 absolutely. See me after the meeting and I'll get you that
14 list.

15 MR. RIOS: I'm trying to fill out the form, the form for
16 bankruptcy. I couldn't even get a number. They asked me for
17 a number. The people were willing to help but they wouldn't
18 know what my number is. How are we able to secure that
19 number, things like that, an account with Cornerstone. They
20 said they would send us a statement almost a month ago. I
21 haven't received a statement. Maybe you can explain.

22 A We have not sent statements. We have them sitting
23 on the conference table waiting from a clearance from the
24 interested parties. We have someone here who can look it up
25 and get it to you by the end of the day.

1 MR. MORAWETZ: And I have an extra copy. I just have
2 one extra copy however, and I'm going to give it to you with
3 the names of the committee members and their contact
4 information. It's got I think the information you are
5 looking for.

6 MR. ED DIBBLE: Well, good morning. Can you hear me
7 without the microphone? Alright, I'm used to speaking to
8 large audiences. I'm Ed Dibble, by the way, and unlike you
9 all my wife and I have invested money in Cornerstone for our
10 charitable trust and our living trust, and we want to get our
11 return.

12 Now, the list you are speaking of, Anna Maria, is on the
13 internet, all four hundred seventy eight pages of it. I
14 looked it up last night, pulled it up and the information you
15 are looking for is on the internet. The question you asked,
16 though, is being handled by the lawyer with the creditors
17 committee.

18 Now, my wife should be on that committee by the way.
19 She was an underwriter for G.E. Capital, the senior
20 underwriter for mortgage loans. Ten years when she was at
21 G.E. Capital she predicted what was going to happen that is
22 happening. The problem the enemy isn't here in this room;
23 it's in New York, white collar crooks that were taking
24 advantage of--some CMOs and people overseas making money for
25 themselves even though the market went up two hundred dollars

1 this morning didn't help Bear Stearns and Lehman Brothers and
2 some others who will bite the bullet and as a consequence it
3 trickles down to us.

4 We are suffering because of what happened by somebody
5 else, as is Jack. Cornerstone didn't bring this one. They
6 are victims just as much as we are. The last thing I want to
7 see for our remainder trust and living trust is for
8 Cornerstone to go belly up. Then we really don't get any
9 money back.

10 What I think will happen, this will drag on until people
11 quit building houses so the market catches up with the demand
12 for houses, which will bring the real estate market back and
13 people will start buying and selling like they do normally,
14 okay.

15 Unfortunately the people at Cornerstone didn't have my
16 wife working for them or she could have told them last August
17 it's going to happen, and it did, and it's based on her
18 knowledge, not mine. She's the brains of the family. I'm
19 the marketing guy. So speaking of marketing, I went into
20 Jack I guess in February and we could have gone in with a
21 club in our hand and said, you know, write us a check, we
22 want our money back, but rather than doing that we said what
23 can we do to help you. I said I'll volunteer to help you in
24 any way I can.

25 Enable, the staff at Enable is what supports at

1 Cornerstone. Back in April they had a software product they
2 had been using for a couple of years to do the bookkeeping
3 and accounting and to track documents, all the documents
4 related to this business. So I looked them up. I looked at
5 what they are doing, and I said, hey, I'll help you market
6 this product if you want me to.

7 To make a long story short, I've taken over the role as
8 marketing manager for Enable. We're putting on seminars and
9 getting contacts all over the State to sell that kind of
10 product.

11 MR. MORAWETZ: Mr. Dibble, we're going to have to adhere
12 to the basic structure here, which is that we're asking--this
13 is an opportunity to ask questions of the debtor. I really
14 appreciate what you're saying. It's informative and very
15 helpful, but we're going to have to have questions.

16 MR. DIBBLE: But I thought this would bring out some
17 different kinds of questions that would help Jack and
18 Cornerstone answer the questions of when are we going to get
19 the money back, okay. Thank you.

20 MR. MORAWETZ: Thank you very much.

21 MS. KATHY WOODY DEMING: My name is Kathy Wood Deming.

22 **BY MS. DEMING:**

23 Q There is one thing that I wanted to ask. You were
24 talking about we could ask questions of the committee, but I
25 have been told that the committee can't help with anything,

1 so am I wrong about that?

2 MR. MORAWETZ: I think that's a little strong. I think
3 they are just warning you there may be some things that the
4 committee can't tell you, but the committee should be--if you
5 have a question about the case and how it's going the
6 committee should be able to tell you. The committee should
7 be able to answer those questions. It's not a committee of
8 seven people who are out for themselves. The seven members
9 of the committee have fiduciary obligations to all the
10 creditors. That means their attorney also has fiduciary
11 obligations to all the creditors. You know, my suggestion to
12 you would be to--do you know one of the committee members?
13 Use him as your contact. You can always call the committee's
14 attorney, but remember the meter is running when you do that.

15 MR. STEVE DEMING: My name is Steve Deming. I am
16 Kathy's husband.

17 **BY MR. DEMING:**

18 Q I am not a finance person, but the question I have,
19 I know you indicated that you were trying to help some of the
20 debtors get financing, okay, which I can understand. Are
21 they currently paying the interest on the loan while they are
22 trying to get financing?

23 A Some are and some are not, depending on the type of
24 loan that was made. As we mentioned earlier, there are some
25 loans that are meant to be basically short term loans where

1 the interest is simply added into the loan balance rather
2 than paid in cash, because the property itself is not in an
3 income generating mode. Like when you are laying streets or
4 something or laying a foundation for a retirement facility,
5 it's not generating income, so you capitalize it. Does that
6 answer your question?

7 **BY MS. KATHY DEMING:**

8 Q Is there any way to get a debtor list and those
9 numbers off the web site?

10 MR. MORAWETZ: Well, it's on the court's web site. You
11 have access to all of the documents in the case, the
12 bankruptcy case are on the Bankruptcy Court's web site. You
13 have to go through it's called Pacer, and there may be--I
14 think you have to have an account and there's a charge to use
15 it, but if you go to the Bankruptcy Clerk's office you can
16 look at the documents in the case and you can get a copy of
17 that document.

18 MR. JOHN SANDERS: What I was going to add was that
19 we'll go ahead and contact some folks at BMC and we'll have
20 the names and phone numbers of the committee members put on
21 the BMC web site so that everybody can pull it up and that
22 way you won't have to go to the clerk's office or anything of
23 that nature.

24 MR. MORAWETZ: Is that agreeable?

25 UNIDENTIFIED FEMALE: Is that P as in Pam or B as in

1 boy?

2 UNIDENTIFIED MALE: Give us that web site again.

3 A The web site again is B as in boy, M as in Mary, C
4 as in Carl. Group. I got three letters in a row and
5 couldn't spell. BMC Group.com\Cornerstone Ministries will
6 take you straight to it.

7 MR. BRIAN GLOVER: My name is Brian Glover. I'm here on
8 behalf of Regions Bank.

9 **BY MR. GLOVER:**

10 Q I just have a couple of questions about the status
11 of some of the properties that Cornerstone maintains an
12 interest in. My question is just whether Cornerstone is
13 planning on continuing to fund these properties. First of
14 all I want to know about the Bluffton Development that is
15 with Wellstone?

16 A If you could give me one second, please.

17 Q Sure.

18 A We're working with the financial analyst and our
19 highest and best interest is to preserve the value of all the
20 assets. That is one that actually will be discussed in a
21 meeting tomorrow afternoon. I can tell you my inclination.
22 My inclination doesn't carry a hundred percent weight, so I
23 apologize for that. I know that the people at Wellstone, who
24 are the borrower, are in discussion with Regions Bank with
25 regard to that as well as Middlecreek and as well as I think

1 one other property you will ask about, which will be North
2 Shore, of which I am trying to reach Mr. Hutton for
3 discussion. We have some ideas on that as well.

4 Q One that I have a question about is Bluffton,
5 Middlecreek, Senior Housing Services.

6 A That's the--yeah, that's the North Shore.

7 Q Okay, and also the Meridian, River Run and Lauren
8 Ridge Apartments?

9 A That one is in the process of being refinanced.

10 Q Which one?

11 A Meridian, River Run.

12 Q What about Lauren Ridge?

13 A Same thing.

14 Q Okay, thank you very much.

15 A Sure.

16 UNIDENTIFIED MALE: I'm sorry we have to meet like this.
17 There's been quite a few references this morning to the
18 bondholders.

19 **BY UNIDENTIFIED MALE:**

20 Q What is the status of the six hundred odd of us who
21 have bought stock in Cornerstone, the prognosis?

22 MR. JOHN SANDERS: In a Chapter 11 unless the case
23 proves to be solvent typically the bondholders are what is
24 called out of the money. The equity--I'm sorry, not
25 bondholders. Stockholders. I apologize. The stock is

1 deemed to be of zero value. It's not absolute, but typically
2 unless the case proves to be solvent, i.e., there's enough
3 money to pay all of the creditors, the bondholders--excuse me
4 once again. The stockholders, the shareholders, the value of
5 that is deemed to be zero.

6 MR. JOHN HUMPHREY: John Humphrey again.

7 **BY MR. HUMPHREY:**

8 Q I don't know if this is a question that you can
9 answer, but in rough numbers can you tell us what the
10 percentage of the unsecured bonds the credit committee
11 represents?

12 A I don't know.

13 MR. MATTHEW LEVIN: You're asking about the seven?

14 Q Yes.

15 MR. MATTHEW LEVIN: How much do they hold?

16 Q Yes.

17 MR. MATTHEW LEVIN: Off the top of my head I don't know.
18 I'm sorry.

19 MR. MORAWETZ: I think it would be very little.
20 Probably under five percent.

21 MR. VAN HOYT: I am Van Hoyt.

22 **BY MR. HOYT:**

23 Q Is Cornerstone aware that there are one or more
24 companies out there offering us ten cents on the dollar to
25 buy our bonds?

1 A I heard that. I don't know who called me and told
2 me that. I did refer that to the creditors committee.

3 Q I received a call--

4 A --Enough said of that. I can't give you advice on
5 what to do. I think you've heard some information here that
6 might lead you to a conclusion.

7 Q Well, we received a call Friday that offered us ten
8 cents on the dollar, and of course naturally we had some kind
9 words for them.

10 A Dave Turner up here in the corner had some
11 questions.

12 MR. DAVID TURNER: My name is David Turner.

13 **BY MR. TURNER:**

14 Q Mr. Levin, if you will wait until I finish asking
15 this, but you had mentioned the creditors could contact you.
16 If we could get your contact information in a moment. And
17 also, Jack, I've been receiving some calls--there are rumors
18 out there, of course, about closings. Have there been any
19 recent closings of any of the properties of substantial value
20 to go toward the resolution of all of this.

21 A No, because we--we have not closed anything
22 recently because we have wanted to collaborate with the
23 creditors committee, so other than individual home closings
24 and so on, which are just normal ordinary course of business,
25 we have not seen any. We have submitted four to the

1 creditors committee analysts on Friday. I gave them two more
2 yesterday and we have a pipeline full of things going on,
3 which the financial analysts I've been doing a brain dub with
4 them. We spent three days about nine hours together, so that
5 they can see we've got contracts in hand that they are
6 examining and giving me feedback on. They gave me the green
7 light on one yesterday afternoon which they will be taking to
8 the committee.

9 MR. MATTHEW LEVIN: My contact information. My phone
10 number is--there are three attorneys in our office that are
11 working on this file. I'm one of them. The other person you
12 can call is Will Sugeen, S-u-g-e-e-n. (spelling) He's an
13 associate in our office. A little bit cheaper billing rate
14 for those who are interested. You can reach either one of us
15 at 404-881-7000. That's the main number. Just ask either
16 one of us and they will connect you to us.

17 MR. DON LABATE: My name is Don Labate. I happen to be
18 the Chairman of the Creditors Committee, and I want to assure
19 you that we are one hundred percent with you. None of us
20 want to be here, but we are.

21 The way we chose a lawyer is that by interviewing
22 several law firms we chose the one that we thought the best
23 for us, all of us. We did the same thing for the financial
24 advisers who are inside Cornerstone now doing their
25 investigative work.

1 The last thing I want to tell you is the web site. The
2 names of every member are on the BMC Group web site, the
3 names, etc., but I heard from our financial adviser this
4 morning actually and his web site is on the air at
5 www.haysconsulting.com.

6 MR. MATTHEW LEVIN: It's actually .net.

7 MR. DON LABATE: Oh, .net. I'm sorry.

8 UNIDENTIFIED MALE: Could you give that again.

9 MR. DON LABATE: Hays, H-a-y-s (spelling) Consulting.
10 C-o-n-s-u-l-t-i-n-g. (spelling) Haysconsulting.net. Now,
11 their initial web site has Cornerstone on it. There are two
12 Cornerstones on there, by the way. Another one unrelated.
13 There's a paragraph or so of what's happening and this will
14 be your official site from here on. They will put more on.
15 It's on there now. H-a-y-s Consulting.

16 The BMCGroup.Com web site has all the court's filings,
17 etc., and if you will look on Doc. 50, schedule F-2, you will
18 see all of your names, thirty six hundred and forty
19 bondholders are on there with the amount of your claim, by
20 the way, updated through Jack.

21 UNIDENTIFIED FEMALE: That was Document 50?

22 MR. DON LABATE: Document 50 on the left side. You will
23 see the letter documents on that web site. You can call me.
24 Our lawyers have advised us and we are working on bylaws
25 where we can't tell you anything confidential. We don't know

1 much confidential now anyhow, but I want to warn you if
2 thirty six hundred people call our lawyers and they talk to
3 each one for fifteen or twenty minutes or half an hour each
4 it is money out of our pockets, very costly.

5 Our objective is to eliminate all operating costs that
6 are not necessary and eventually eliminate all lawyers,
7 financial advisors, etc. to maximize the return for each and
8 every investor, and everyone--I'm going to reiterate one more
9 time. My investment is seven figures. I'm on the committee.
10 I haven't had any sleep since February 10th. I'm consumed
11 with the activities for you, for us. You can feel free to
12 call me. I'm at 770-956-8229. My phone is busy all the time
13 so you may not get into it very well.

14 I will be able to tell you--I might be able to help you
15 settle down a little bit. The issue is we're working for you
16 equally. My name is Don Labate, L-a-b-a-t-e. (spelling)
17 There are three other committee members here, Bruce Sams, Don
18 Sealy and Ray Hill. The other three committee members are
19 out of towners. We communicate with them on conference calls
20 and in meetings when we have them locally.

21 Be assured we're working for you day and night and feel
22 as comfortable as you want to be in calling me. Thank you.

23 UNIDENTIFIED MALE: I have one question for Jack.

24 **BY UNIDENTIFIED MALE:**

25 Q We've heard Jack talk to us before, but something

1 new you said today and I need to ask you. I'm sorry. When
2 you retired in March of 2007 you said you went into the
3 consulting business I guess. Is that what I heard today?

4 A I did. Yeah, I did a little bit of it.

5 Q May I ask, was it with any of our related--

6 A --Among others I was trying to help them put that
7 refinancing together to help pay Cornerstone back, for which
8 they did not compensate me.

9 Q Thank you.

10 MR. NATHAN CARROLL: Nathan Carroll. Just to alleviate
11 a little bit of the lady's fear up on the front, I have some
12 personal money invested. Also, I represent a non-profit
13 ministerial group that has money invested. Two or three
14 years ago because we did not direct them to reinvest they
15 sent us the full amount of one of the bonds that we had
16 invested. CMI sent us the full amount. Of course, that
17 wasn't our intent for them to do that, so we turned around
18 and sent it back to them and redeposited it or wrote another
19 check or whatever. They have stood good for years. We also
20 with this ministerial group that I represent, we have chosen
21 to take the bi-annual interest payments. They have paid
22 those for several years. They have I think proven themselves
23 in the past to be honest business people working for our
24 benefit and I just appreciate what I've been hearing today.
25 I want them to know there's a lot of prayers going up for

1 them as well as for us. Thank you.

2 MR. JOHN BOSHART: My name is John Boshart.

3 **BY MR. BOSHART:**

4 Q I heard Mr. Sanders say that solvency is unlikely,
5 yet I heard Mr. Ottinger say I think that the assets exceed
6 the amount of the bondholder debt, so I'm trying to get a
7 feel for the numbers here. There seems to be a difference of
8 opinion.

9 A What I said was that the principal on the loans,
10 principal and interest due on the loans exceeds the principal
11 on the bonds, but we still owe you the interest, so if we add
12 those two together we may not reach that total, so that would
13 I guess technically say that you were insolvent unless you
14 create a new capital structure for the company as part of
15 your restructuring.

16 Q Okay. So you said the bond debt was like a hundred
17 twenty six million--

18 A --That's the principal.

19 Q And the interest was in the fifty million range?

20 A Sixteen million. Fifteen to sixteen million.

21 Q Fifteen and sixteen?

22 A Fifteen to sixteen million is accrued and unpaid
23 interest.

24 Q Okay, so where is the number that you are using
25 then? What would be your best guess of the total assets

1 value at this point?

2 A I would like to tell you that. My sense of the
3 matter is that whatever number I give you will be A, an order
4 of magnitude number, and B, one I will be hung on later if
5 it's not that one, and because I'm not ultimately in charge
6 of picking those numbers I don't want to be shot because I
7 missed. Having been out of it for awhile and working for
8 hard to not remember a lot after twenty three years I've gone
9 back in, I've been working with the experts that I have, been
10 able to bring it to the table to value the assets. I can
11 tell you that's where we think we are right at the moment,
12 but I can't guarantee you, as much as I would like to.

13 To go back to Mr. Labate's point. My family, too, has
14 investments well over seven figures. In fact, my family
15 would represent between my mother, my deceased sister's trust
16 funds for my nephews and so on, we would be the largest
17 investor in Cornerstone. Now I say that only to tell you how
18 aligned our interests are and how much I would like to give
19 and peg a number so I could tell my mom how much is left in
20 her IRA or my dad who says if I lose the money she's coming
21 to live with me, and you know, what my nephews have on a go
22 forward basis in their trust funds.

23 Trust me, I really do understand what everybody is going
24 through here in a very, very real way. To go back to the
25 stockholder question, my retirement went south with the

1 stock. I have to work now. So again I'm not eliciting
2 sympathy. I don't ask for your sympathy. God is good to me.
3 All I know is what I've got to do for you and how we all are
4 in this thing together. I can only give you best guesses at
5 this point. I have auditors up one side and down the other
6 trying to get to the bottom of the question so we know where
7 we are and we make a plan for going forward. That's all we
8 can do.

9 Mr. Labate and I could really probably do some internet
10 chatting about 4:00 a.m. in the morning because we're both
11 probably sitting around thinking, so maybe we ought to do
12 that. Maybe we can come up with some good ideas in the early
13 morning hours.

14 MS. KIM GUSTAFSON: My name is Kim Gustafson. I have
15 hundreds of clients in Cornerstone, and I would like to tell
16 you that I've had many, many over the years that have gotten
17 their principal and interest back, but of course, a lot of
18 them like to reinvest, but many, many of them have gotten
19 their principal and interest back. It's a good company.

20 **BY MS. GUSTAFSON:**

21 Q My question I don't know if you can answer or not.
22 When we had a conference call with the folks we work with,
23 talked to Jack Waymiller, he mentioned something about that
24 the committee might possibly be trying to set up a hardship
25 fund for the clients who absolutely, positively can't live

1 without their interest coming in. Do you even know if that's
2 going to become a reality? I mean out of the hundreds of
3 clients I have I only have a handful that fit in that
4 category, but is this a possibility that you see can happen?

5 A We have not asked the credit committee or the court
6 at this time, because we are just too early in the
7 organization of all of this, but be aware I know the names of
8 almost all those people now. Some of them are very, very old
9 and dear friends of mine. Some for whom I served as a pastor
10 years ago in Florida. I'm thinking of Carolyn Ripley in
11 particular living down in one of the facilities that we
12 helped build six or seven years ago, retirement facilities.

13 The biggest burden our Board of Directors had, biggest
14 obstacle we had, the thing we wrestled with the most was our
15 concern for those who did depend to some degree or another on
16 those interest payments. We've been chagrined to find that
17 some people depend much more than they should on that, and
18 that was something that we were not able to ascertain until
19 this event happened.

20 The day when I walked into--actually, when Mr. Sanders
21 and I met for the first time I think one of the first
22 questions I asked him was what can I do for these investors
23 who need their monthly check for whatever reason, and he told
24 me that unfortunately we have to treat all investors the
25 same. There's a good side and a bad side to that

1 unfortunately. We are wrestling with that, wrestling with
2 what are our alternatives.

3 I think the court will probably fight--I'll let the
4 court speak to itself in terms of if we make a petition for
5 something like that. Perhaps we can make a great business
6 case for it, why it should be done. Maybe the creditors
7 committee would take an interest in that.

8 In the alternative we go back to what the gentleman said
9 before. There may be people who would be willing to help
10 someone redeem early their bond at some discount. They are
11 doing so now as vultures because nobody knows where it's
12 coming out, but there are others that we have initiated
13 discussions with but who are not prepared to commit at this
14 time because we are not prepared to commit at this time to do
15 that, to provide some type of relief.

16 But if there is any group of people that caused me to
17 lay awake at night and have for years, is what we call the
18 little widow ladies, and I apologize if that offends anybody.
19 But true and pure religion is caring for widows and orphans
20 in their distress, James 1:27, and I believe that. I believe
21 that.

22 So one of the reasons I'm working as hard as I am is to
23 put cash in the bucket so we can begin to make some
24 distributions if that's what the credit committee would deem
25 the appropriate response.

1 MR. MORAWETZ: It's going on noon so I think we're going
2 to cut this off pretty quick. We can take a couple of more
3 questions if there are a couple of more questions out there.
4 Yes, sir.

5 MR. KEITH GLORE: My name is Keith Glore, and I have two
6 questions.

7 **BY MR. GLORE:**

8 Q First, Jack, can you give us just a rough estimate
9 of what percent of the loans are in the different types of
10 industries that are represented here?

11 A I don't have percentages. I could get them to you,
12 because we have segmented them by not just overall sectors,
13 but within the sectors. We have sub categorized that between
14 say vertical construction and site acquisition perhaps or
15 land acquisition, whatever.

16 At the present we would say and confess that the church
17 portfolio has become the smallest because we were not
18 competitive in that market. At one time the senior housing
19 would have been the largest, but in 2007, of course we paid
20 off all sixty seven million dollars of those loans, and so
21 it's now spread out among various types of multi-family and
22 residential housing as well as other types of non-profit
23 activities. There's more senior housing still out there. I
24 can get you a break down but I didn't bring it with me.

25 Q Okay, the second question is how many loans dollar

1 wise and number of loans would it take for Cornerstone to
2 come out of Chapter 11?

3 A That's a great, absolutely great question. I don't
4 know because of the technicalities of this thing that--it's
5 like an onion I keep unpeeling various pieces of it. I don't
6 know that I can answer your question, because the whole--with
7 the Chapter 11 and the lawyers should speak to this. The
8 whole terms of the bond issues, all four issues that are
9 outstanding have completely changed and everything is due
10 today, so in one sense you're saying in order for us to exit
11 Chapter 11 I would have to pay off a hundred percent of the
12 bonds, so that would be one answer, or a hundred twenty six
13 million dollars.

14 Or you could go back and say, well, if we just put
15 everybody back in their chair where they were, but six months
16 down the road you would say, well, that could be twenty four
17 million dollars, but wait a minute. Normally our
18 bondholders--eighty five percent of our bondholders roll
19 over, so we would only need fifteen percent of the twenty
20 four million. Whose got a calculator?

21 So you see how that number could go all over the place,
22 depending on what you're trying to accomplish in exiting.
23 The amount of bonds that would under a normal course of
24 business that are truly late, assuming that you didn't--what
25 we've done now is accelerate all those bonds, and this may be

1 a whole lot more information than anybody really wants, but
2 if you said everybody was just sitting there the amount of
3 bonds and maturity that we didn't pay through the end of
4 February was six million dollars. But it only takes one to
5 put you in default.

6 MR. MORAWETZ: This will be the last question.

7 A I will be here as long as anybody would like me to
8 be here to answer questions.

9 MR. VINCE THOMPSON: My name is Vince Thompson.

10 **BY MR. THOMPSON:**

11 Q I have a question about the hiring--like Ms.
12 Gustafson, I have hundreds of people with Cornerstone. I
13 have a single lady over there who has been doing business
14 with me for years. This is really sad. I've seen them pay
15 off lots of bonds. I've seen them send lots of interest
16 checks. I've even had people who have had distress in their
17 lives and they gave them their money early, if that helps
18 you, but my question is required distribution. I'm a little
19 concerned about that with IRAs, and to the committee we
20 really need to deal with that, because there are folks that
21 if they don't get their RMDs. The IRS don't forgive this
22 kind of stuff. They are going to penalize them some. What
23 are you doing to work through that?

24 A It's definitely high on the list. I have two
25 people for a total of eighty five hundred dollars, I have an

1 RMD that needs to be done for last year, and many of you
2 know, if you have an IRA you've got to take a certain amount
3 out based on the overall value and all that jazz, and the
4 Trust companies take care of those calculations most of the
5 time for you.

6 We are very aware. We have put it high on our list.
7 John has got it on his list of things we want to try to deal
8 with. I don't think that the credit committee is up to speed
9 on that one just yet. They are trying to get the big picture
10 before we drill down on to some of these particular issues.
11 But we are aware of that and want to build that in.

12 Fortunately we've got a long part of the year to go
13 before we have to make those distributions, so we've got time
14 to work together as a team to get it figured out and time to
15 get some refinancings done and get some cash in house. But
16 we've got to keep the doors open, got to keep things moving
17 along and then we've got to hit those priority items, some of
18 which have been mentioned.

19 UNIDENTIFIED MALE: Can we have one more question?

20 MR. MORAWETZ: All right.

21 **BY UNIDENTIFIED MALE:**

22 Q Of the assets you said which exceed the total loans
23 how much of that asset pool do you think is actually
24 realizable by many of the people obligated or will it perhaps
25 bankrupt their own business?

1 A I think we've answered that question. We are
2 trying to finalize values, but at this point our loan values
3 on a conservative what I call a slash and burn approach.
4 They hear that spoken about in the office. At this point on
5 the slash and burn valuations that we're working with barring
6 further deterioration in some assets or whatever, the loan
7 values, recoverable loan values, exceed the principal of the
8 bonds, okay, today, this minute.

9 MR. DON LABATE: One more thing for information. If you
10 go on he BMC Group site, it's Document 50, Schedule F-2, you
11 find your name on the list of bondholders. If you look
12 alphabetically by your first name, the first initial of your
13 first name alphabetically. Don't ask me why.

14 MR. JIM MORAWETZ: Thank you very much, Don. Thank you,
15 Mr. Ottinger. Thank you, Mr. Sanders. Thank you, Mr. Levin.
16 This meeting is adjourned. Thank you very much.

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23 (Whereupon, the meeting in the above-entitled matter was
24 concluded at approximately 12:00 noon)

25

C E R T I F I C A T E

STATE OF GEORGIA)

COUNTY OF HALL)

I, Stanley R. Brown, Certified Court Reporter and Notary Public in and for Hall County, Georgia, do hereby certify that the foregoing meeting was taken down by me, as stated in the caption; that the foregoing questions and answers were reduced to print by me via speech recognition; that the foregoing pages 4 through 63 represent a true, correct and complete transcript of the comments given by the participants of the meeting, that I am not a relative, employee, attorney or counsel of any of the parties; that I am not a relative or employee of attorney or counsel for any of said parties; nor am I financially interested in the outcome of the action.

This the 17th day of April, 2008.

STANLEY R. BROWN, CCR-A-197
Certified Court Reporter

D I S C L O S U R E

STATE OF GEORGIA

COUNTY OF HALL

Pursuant to Article 8.B. of the Rules and Regulations of the Board of Court Reporting of the Judicial Council of Georgia, I make the following disclosure:

I am a Georgia Certified Court Reporter. I am here as a representative of Stan Brown Court Reporters.

Stan Brown Court Reporters was contacted by the offices of Jim H. Morawetz, to provide court reporting services for this meeting. I will not be taking this deposition under any contract that is prohibited by O.C.G.A. 1514-37 (a)(b).

I have no contract/agreement to provide court reporting services with any party to the case, any counsel in the case, or any reporter or reporting agency from whom a referral might have been made to cover this meeting. I will charge the usual and customary rates to all parties in the case, and a financial discount will not be given to any party in this litigation.

DATED: April 17, 2008

Stan Brown, CCR-A-197

E R R A T A S H E E T

I hereby certify that I have read the foregoing and within Pages 4 through *** and no changes are required:

Sworn to and subscribed before me, this ____ day of _____, 2008.

Notary Public

My commission expires:

* * * * *

I hereby certify that I have read the foregoing and within Pages 4 through *** and I wish to make the following changes:

Page ____ Line ____ : _____

Sworn to and subscribed before me, this ____ day of _____, 2008.

Notary Public

My commission expires:

the