

1 WAYNE STRUMPFER
Acting California Corporations Commissioner
2 ALAN S. WEINGER (CA BAR NO. 86717)
Acting Deputy Commissioner
3 EDWARD KELLY SHINNICK (CA Bar No. 96209)
Corporations Counsel
4 71 Stevenson Street, Ste. 2100
5 San Francisco, CA 94105-2908
6 Tel: 415/972-8544
7 Fax: 415/972-8550
Attorneys for Complainant

8
9 BEFORE THE DEPARTMENT OF CORPORATIONS
10 OF THE STATE OF CALIFORNIA
11

12	In the Matter of)	CASE NO.
13	THE CALIFORNIA CORPORATIONS)	FILE NO. 923-5067
14	COMMISSIONER,)	STATEMENT OF ISSUES IN SUPPORT OF NOTICE OF INTENTION TO ISSUE ORDER DENYING APPLICATION FOR AN INVESTMENT ADVISER CERTIFICATE
15	Complainant,)	
16	v.)	
17	BROOKSTONE CAPITAL, INC.,)	
18	Respondent.)	
19)	
20)	
21)	

22 WAYNE STRUMPFER, the acting California Corporations Commissioner
23 ("Commissioner") of the Department of Corporations ("Department") alleges and charges as follows:

24 **I. JURISDICTION AND VENUE**

25 1. The COMMISSIONER brings this action pursuant to the provisions of California
26 Corporations Code ("CC") section 25232 and the rules and regulations promulgated thereunder.

27 2. The Commissioner is authorized to administer and enforce the provisions of the
28

1 Corporate Securities Law of 1968, Corporations Code sections 25000 et seq. ("CSL") and the
2 regulations thereunder at Title 10, California Code of Regulations ("CCR").

3 **II. STATEMENT OF FACTS**

4 3. This action is brought in order to deny a certificate of investment adviser to
5 Respondent Brookstone Capital, Inc. pursuant to CC section 25232. Since at least May 28, 2004
6 Brookstone Capital, Inc. has been a Nevada corporation in the business of providing investment
7 advisory services. The primary office of Brookstone Capital is located at 695 Town Center Drive,
8 Ste. 850, Costa Mesa, CA 92626. According to Schedule A of an application for an investment
9 adviser certificate filed with the Department, Robert L. Carver is noted to be the founder, CEO and
10 sole owner, manager and control person of Brookstone Capital.

11 4. On October 20, 2004, Brookstone Capital filed an application for an investment
12 adviser certificate with the Department. During the course of the application process it was
13 discovered that on July 22, 1994 in the Los Angeles County Superior Court Robert L. Carver pled
14 guilty to one felony count of making/passing fictitious checks, and on August 4, 1994 in the
15 Riverside County Superior/Municipal Court Mr. Carver pled nolo contendere to two felony counts of
16 grand theft. For the former conviction he was sentenced to 98 days in the county jail and five years
17 probation and the for later conviction he was sentenced to 180 days in county jail and five years
18 probation as well.

19 5. In its application Brookstone Capital stated that Mr. Carver had never been found by
20 any state agency to have violated any investment related regulation or statute and yet on March 21,
21 1996 the State of California Department of Corporations issued a Desist and Refrain Order to Robert
22 L. Carver, among others, regarding the offer and sale of unqualified securities.

23 **III. BROOKSTONE CAPITAL SHOULD BE DENIED AN INVESTMENT ADVISER**
24 **CERTIFICATE PURSUANT TO CORPORATIONS CODE SECTION 25232**

25 6. Corporations Code section 25232 provides, in pertinent part:

26 "The commissioner may, after appropriate notice and opportunity for hearing, by
27 order censure, deny a certificate to, or suspend for a period not exceeding 12 months
28 or revoke the certificate of, an investment adviser, if the commissioner finds that the
censure, denial, suspension, or revocation is in the public interest and that the
investment adviser, whether prior or subsequent to becoming such, or any partner,

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

officer or director thereof or any person performing similar functions or any person directly or indirectly controlling the investment adviser, whether prior or subsequent to becoming such, or any employee of the investment adviser while so employed has done any of the following:

- (a) Has willfully made or caused to be made in any application for a certificate or any report filed with the commissioner under this division, or in any proceeding before the commissioner, any statement which was at the time and in light of the circumstances under which it was made false or misleading with respect to any material fact, or has willfully omitted to state in the application or report any material fact which is required to be stated therein;
- (b) Has been either (1) convicted of or has pled nolo contendere to any felony or misdemeanor....”

7. Robert L. Carver is the founder, CEO and sole owner, manager and control person of Brookstone Capital and he was convicted of two prior felonies in 1994. On March 21, 1996 the State of California Department of Corporations issued a Desist and Refrain Order to Robert L. Carver regarding the offer and sale of unqualified securities that Brookstone Capital has not disclosed.

IV. RELIEF REQUESTED

Based upon the foregoing, the Commissioner finds it is in the public interest to deny an investment adviser certificate to Brookstone Capital, pursuant to CC section 25232 for past felony convictions as specified in CC section 25232 subdivision (b) and for failure to disclose the issuance of the prior Desist and Refrain Order as specified in subdivision (a).

WHEREFORE, IT IS PRAYED that Respondent Brookstone Capital be denied an investment adviser certificate pursuant to CC section 25232.

Dated: August 11, 2005

WAYNE STRUMPFER
Acting California Corporations Commissioner

By: EDWARD KELLY SHINNICK
Corporations Counsel
Enforcement Division