

1 STATE OF CALIFORNIA
2 BUSINESS, TRANSPORTATION AND HOUSING AGENCY
3 DEPARTMENT OF CORPORATIONS

4 **TO:** Robert C. Bartels also known as Robert Carl Bartels
5 1931 Woodside Road
6 Redwood City, CA 94061

7 Venture Risk Research and Management Corp.
8 3790 El Camino Real, Suite 334
9 Palo Alto, CA 94306

10 **DESIST AND REFRAIN ORDER**
11 **(For violations of Corporations Code sections 25110, 25210 and 25230 and 25401)**

12 The California Corporations Commissioner finds that:

13 1. Robert C. Bartels also known as Robert Carl Bartels (“Bartels”) is an individual who
14 resides in California.

15 2. Bartels is a principal of or affiliated with numerous entities that include the following:

16 Venture Risk Research and Management Corp., Venture Risk Research and Management
17 Corporation; Venture Risk Research & Management Corp.; Venture Risk Research; Stanford Capital
18 Corp.; Stanford Capital Corp.; Stanford Funding Corp.; Stanford Land Corp.; Stanford Income
19 Management Corp.; Stanford Risk Management; Stanford Risk Research and Management Corp.;
20 Stanford Risk Management Corp.; Stanford Trading Corp.; Stanford Trading Corporation; Stanford
21 Ventures Corporation; Bear Financial & Management Corp.; Creekside Capital Corp.; Creekside
22 Mortgage Corp.; M & M Communications; M & M Communications Leasing & Investment Co.;
23 Penbrook Properties Corp.; Piedra Properties Corp.; Rancho Land & Cattle Corp.; Rancho Research
24 and Management Corp.; National Executive Trade Inc.; Tahoe Management Corp.; Terra Financial
25 Corp.; Tracon International Inc.; Vagabond Ventures Corp.; Velocette Mortgage Corp. Many of
26 these entities served as Bartels alter egos. Some of these entities filed with the California Secretary of
27 State’s Office to do business, others never did. However, of those entities that filed with the
28 California Secretary of State’s Office not one is still in good standing and all have either been
suspended or revoked by the Secretary of State.

1 3. During all relevant times Bartels and his alter egos, specifically Venture Risk Research
2 and Management Corp., in concert and in participation with others, violated the Corporate Securities
3 Law in California.

4 4. Bartels represented Venture Risk Research and Management Corp. to be his investment
5 company that does business by investing in and trading securities in compliance with the securities
6 laws. Bartels stated that they had many clients or customers and that he and his investment company
7 were successful and profitable. Bartels sought to exploit the trust and friendship existing among San
8 Mateo County residents to gain access to investors' funds. Some of Bartels's clients acquired in this
9 manner were trusting, unsophisticated individuals with minimal or no investment experience.

10 5. Bartels claimed he made money for his clients by engaging in selling short, in other
11 words, selling stock that he did not own and which was borrowed for him by a broker to make
12 delivery. Bartels identified the stocks to be sold short and stated that he only made "a bit of profit"
13 on each transaction but that his expertise would result in an eight percent (8%) profit per annum for
14 investors. After Bartels showed individuals what were purportedly the account statements of his
15 existing clients he would ask potential investors how much they had to invest. At times Bartels
16 would follow investors to their residence or to their place of business so he would obtain their funds
17 as soon as possible.

18 6. Bartels often offered his investment opportunity to mid to low income self-employed
19 California residents who had cash based businesses. Bartels promised investors that their cash
20 funds would be repaid within 90 days and documented his promise with a promissory note.

21 7. Bartels would also present investors with a six-page "Joint Venture Agreement." The
22 joint venture agreement describes Bartels' management and control role. It also documents the fact
23 that the only contribution made by an investor is to provide funds to Bartels so that investors are
24 dependant upon the skill and expertise of Venture Risk Research and Management Corp. and Bartels.
25 The agreement, in relevant part, states that Venture Risk Research and Management Corp. is:

26 Partner who shall make all decisions on behalf of the Joint Venture as to the
27 nature of the securities trades, short or long, the selection of the securities to
28 be brought and sold by the Joint Venture and shall be the sole party authorized
 to deal in the trading account.

1 8. Bartels directly and indirectly through his alter ego, Venture Risk Research and
2 Management Corp. or other entities routinely engaged in the business of advising others as to the
3 value of securities and investing in or purchasing or selling securities of companies he researched.
4 In exchange for these services, Bartels and Venture Risk Research and Management Corp. were
5 compensated with profits, commissions, fees or securities. Thus, Bartels and Venture Risk
6 Research and Management Corp. engaged in unlicensed investment adviser activities.

7 9. Neither Bartels nor Venture Risk Research and Management Corp., were licensed as an
8 investment adviser.

9 10. Corporations Code section 25230 prohibits an investment adviser from conducting
10 business as an investment adviser in this state unless the investment adviser has first applied for and
11 secured a certificate from the Commissioner. The requirement to obtain a certificate to conduct
12 business as an investment adviser is found in Corporations Code section 25230 and states:

13 (a) It is unlawful for any investment adviser to conduct business as an
14 investment adviser in this state unless the investment adviser has first applied
15 for and secured from the commissioner a certificate, then in effect, authorizing
16 the investment adviser to do so or unless the investment adviser is exempted .
17 . . or unless the investment adviser is subject to Section 25230.1.

18 11. Bartels' and Venture Risk Research and Management Corp.'s offers and sales of
19 promissory notes and investment contracts in the form of joint venture agreements constitute
20 securities that are required to be qualified or exempt in California.

21 12. Bartels and Venture Risk Research and Management Corp. failed to comply with
22 qualification provisions when they offered and sold these non-exempt securities. Bartels and Venture
23 Risk Research and Management Corp. knew or should have known that all securities offerings must
24 conform to the standards set forth in Corporations Code section 25110, which in part states:

25 It is unlawful for any person to offer or sell in this state any security in an issuer
26 transaction. . . unless such sale has been qualified . . . or unless such security or
27 transaction is exempted or not subject to qualification . . .

28 13. Effecting transactions in securities without an exemption requires a broker-dealer license
under California law. Bartels routinely engaged in the business of effecting transactions in securities
for the accounts of others or his own account without a certificate to do so. The Commissioner has

1 not issued a broker-dealer certificate to Bartels or any of the entities he created. Bartels was not
2 authorized to act as a registered agent for any broker-dealer. Bartels, individually or while using
3 other business names violated Corporations Code section 25210 by conducting business as a broker-
4 dealer in California without having first obtained a certificate from the Commissioner. Corporations
5 Code section 25210 prohibits a “broker-dealer” from effecting any transaction in, or inducing or
6 attempting to induce the purchase or sale of any security unless the Commissioner authorized the
7 person to act as a broker-dealer. Section 25210, subdivision (a), states:

8 Unless exempted . . . no broker-dealer shall effect any transaction in, or
9 induce or attempt to induce the purchase or sale of, any security in this
10 state unless the broker-dealer has first applied for and secured from the
11 commissioner a certificate, then in effect, authorizing that person to act
12 in that capacity.

13 14. Bartels failed to disclose to investors that he and or his affiliated entities had been
14 named as defendants in approximately two dozen civil cases filed throughout California. These
15 civil complaints alleged fraud, intentional misrepresentations, breach of fiduciary duty, breach of
16 contract, conspiracy and securities violations, among other allegations. Bartels also failed to
17 disclose to investors that he had not satisfied the judgments rendered against him in some of these
18 civil cases and there were long standing unsatisfied judgment against him or his affiliated entities.

19 15. Bartels failed to disclose that the entities he formed either failed to file with the
20 Secretary of State in California or had their corporate status suspended or revoked.

21 16. Bartels failed to disclose that he and Venture Risk Research and Management Corp.
22 were required to obtain licensure for their broker-dealer and investment adviser activities.

23 17. At no time did Bartels disclose to investors that he had been charged by the San Mateo
24 County District Attorney’s Office in three felony cases, C23171, SC 34307 and SC 40172, filed in
25 1991, 1994, and 1997, respectively. In criminal case C 23171 Bartels was charged with seven
26 felonies including theft, embezzlement and conspiracy and was sentenced to four years in state
27 prison. In cases SC 34307 and SC 40172 Bartels was prosecuted for a combined total of 36 felonies
28 including securities violations, theft and excessive takings for which Bartels later entered a negotiated
29 plea and was required to pay restitution of over one million dollars.

1 20. Bartels’ misrepresentations or omissions of material facts violated Corporations Code
2 section 25401, which in part states:

3 It is unlawful for any person to offer or sell a security in this state or buy
4 or offer to buy a security in this state by means of any written or oral
5 communication which includes an untrue statement of a material fact or
6 omits to state a material fact necessary in order to make the statements
 made, in light of the circumstances under which they were made, not
 misleading . . .

7 Based upon the foregoing findings, the California Corporations Commissioner is of the
8 opinion that the activities of Venture Risk Research and Management Corp and Robert C. Bartels,
9 also known as Robert Carl Bartels, (“Bartels and Venture Risk Research and Management Corp.”)
10 involved offers or sales of securities in California that are subject to qualification under the Corporate
11 Securities Law, without such offers or sales first being qualified or exempt, in violation of
12 Corporations Code section 25110. The California Corporations Commissioner is also of the opinion
13 that such offers and sale of securities in California were made by means of written or oral
14 communications which included an untrue statement of a material fact or omitted to state a material
15 fact necessary in order to make the statements made, in the light of the circumstances under which
16 they were made, not misleading, in violation of Corporations Code section 25401.

17 Further, the California Corporations Commissioner is of the opinion that Bartels and Venture
18 Risk Research and Management Corp. conducted business as an investment adviser and broker dealer
19 in California without having first applied for and secured a certificate, then in effect, from the
20 Commissioner authorizing such activities in violation of California Corporations Code sections 25210
21 and 25230.

22 Pursuant to section 25532 of the Corporations Code, Bartels and Venture Risk Research and
23 Management Corp. are hereby ordered to:

- 24 1. Desist and refrain from the further offer or sale of securities including, but
25 not limited to, promissory notes, joint venture agreements and investment
26 contracts, unless and until the offers and sales have been duly qualified
27 under the Corporate Securities Law or unless exempt;
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2. Desist and refrain from offering or selling or buying or offering to buy any security in the State of California by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading;
3. Desist and refrain from conducting business as a broker-dealer in the State of California, unless and until granted a certificate by the California Corporations Commissioner under said law or unless exempt; and,
4. Desist and refrain from conducting business as an investment adviser in the State of California, unless and until granted a certificate by the California Corporations Commissioner under said law or unless exempt.

This Order is necessary, in the public interest, for the protection of investors and consistent with the purposes, policies and provisions of the Corporate Securities Law of 1968.

Dated: September 5, 2008
Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

By _____
ALAN S. WEINGER
Acting Deputy Commissioner
Enforcement Division