

1 PRESTON DuFAUCHARD  
Corporations Commissioner  
2 WAYNE STRUMPFER  
Deputy Commissioner  
3 ALAN S. WEINGER (CA BAR NO. 86717)  
Supervising Attorney  
4 LINDSAY B. HERRICK (CA BAR NO. 224986)  
Corporations Counsel  
5 DEPARTMENT OF CORPORATIONS  
1515 K Street, Suite 200  
6 Sacramento, California 95814  
Telephone: (916) 445-3682  
7 Attorneys for Complainant

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

11 In the Matter of ) FILE NO. 925-2651  
12 )  
13 THE CALIFORNIA CORPORATIONS ) ORDER LEVYING ADMINISTRATIVE  
COMMISSIONER, ) PENALTIES PURSUANT TO  
14 ) CORPORATIONS CODE SECTION 25252  
15 Complainant, )  
16 v. )  
17 WHITCRAFT CAPITAL MANAGEMENT, )  
INC., )  
18 Respondent. )

19  
20 TO: Whitcraft Capital Management, Inc.  
21 660 Rhodes  
Palo Alto, CA 94303-3032

22 Preston DuFauchard, California Corporations Commissioner ("Commissioner") of the  
23 Department of Corporations ("Department") finds that:

24 1. Whitcraft Capital Management, Inc. ("Whitcraft") holds a valid and unrevoked  
25 investment adviser certificate issued by the Commissioner on July 25, 1997, pursuant to  
26 Corporations Code section 25230. Whitcraft's investment adviser business is located at 660 Rhodes,  
27 Palo Alto, CA 94303, formerly located at 213 Garnet Avenue, San Carlos, CA 94070, and is a  
28 California corporation.

1           2.    On February 26, 1999, December 11, 2002 and on August 27, 2003, the Department  
2 commenced three separate regulatory examinations of Whitcraft’s investment adviser business. The  
3 examinations revealed the same violations of the books and records provisions of the Corporate  
4 Securities Law of 1968, Corporations Code section 25000 et seq., and the regulations thereunder  
5 found at California Code of Regulations, title 10, section 260.000 et seq.

6           3.    These violations consisted of Whitcraft’s failure to keep true, accurate and current  
7 books and records, including: 1) failing to maintain an accounting system; and 2) failing to file  
8 annual financial reports. The books and records requirements provide the Department with a  
9 regulatory mechanism to validate a firm's liquidity and financial integrity on a monthly basis to  
10 ensure that licensees maintain the necessary net capital for the protection of the public. Whitcraft’s  
11 failure to keep true, accurate and current books and records prevents the Department from  
12 determining as part of its regulatory examination, whether it meets the capital requirements imposed  
13 by the Corporations Code and the regulations enacted thereunder.

14           4.    After repeated promises and representations by Whitcraft to bring its business into  
15 regulatory compliance with these provisions of the Corporations Code and regulations, the  
16 Commissioner served Whitcraft by personal service on June 25, 2006 with copies of the following:  
17 (1) Notice of Intention to Issue Order Levying Administrative Penalties Pursuant to Corporations  
18 Code Section 25252, (2) Statement in Support of Order Levying Administrative Penalties Pursuant  
19 to Corporations Code Section 25252, (3) Statement to Respondent, (4) Notice of Defense, and (5)  
20 Government Code Sections 11507.5, 11507.6 and 11507.7.

21           5.    As of July 27, 2006, the Commissioner has not received a written request for a  
22 hearing on this matter. More than fifteen days have elapsed since service of the above-referenced  
23 documents upon Whitcraft.

24  
25           NOW THEREFORE, GOOD CAUSE SHOWING, and pursuant to Corporations Code  
26 section 25252, the California Corporations Commissioner finds that Respondent has willfully  
27 violated California Code of Regulations, title 10, sections 260.241.2, subsections (a) and (b),  
28 260.241.3, subsections (a), (c), (e), and (j), section 260.241.4, subsection (a), and section 260.238,

1 subsections (n) and (o). The Commissioner hereby orders Respondent to pay the Commissioner  
2 administrative penalties in the amount of \$45,000, effective immediately the date of this Order. The  
3 penalty amount of \$45,000 shall be paid within ten days of the date of this Order, otherwise,  
4 Respondent will be deemed by the Commissioner to be in violation of this Order and may be subject  
5 to further action as provided for by law.

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Dated: July 28, 2006

PRESTON DuFAUCARD  
California Corporations Commissioner

By: \_\_\_\_\_  
ALAN S. WEINGER  
Supervising Attorney  
Enforcement Division