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10 BEFORE THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION  
OF THE STATE OF CALIFORNIA

11 In the Matter of:

12 THE COMMISSIONER OF FINANCIAL  
13 PROTECTION AND INNOVATION,

14 Complainant,

15 v.

16 BSD VENTURE CAPITAL, LLC, and BRUCE  
17 DOOLE,

18 Respondents.

NOTICE OF INTENT TO ISSUE ORDER  
LEVYING ADMINISTRATIVE  
PENALTIES AND STATEMENT IN  
SUPPORT PURSUANT TO  
CORPORATIONS CODE 25252

19 The Commissioner of Financial Protection and Innovation (Commissioner) is informed and  
20 believes, and based upon such information and believe, alleges and charges as follows:

21 **I.**

22 **STATEMENT OF FACTS**

23 1. At all relevant times herein, BSD Venture Capital I, LP (The Fund), is and was a  
24 Delaware limited partnership located at 2221 Camino Del Rio South, Suite 304, San Diego,  
25 California 92108, operating the email address, Bruce@permanentvalue.com, and telephone number,  
26 619-682-3834, through which it conducted business. Between September 2008 and June 2021, The  
27 Fund only invested in one security, Force Medical, Inc. (Force Medical), a California corporation.

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**Violations of Corporations Code Section 25401**

**(Misrepresentations and Omissions of Material Facts)**

10. Respondents sent solicitation materials to prospective investors, including a LPA. Also, Respondents and their agents solicited investors and prospective investors through telephone calls and email correspondence.

11. In connection with the offers and sales of securities, Respondents made, or caused to be made, misrepresentations of material fact to investors and potential investors, including that:

- a. The Fund would be audited on an annual basis. In fact, The Fund was never audited;
- b. The Fund would invest in various emerging growth companies. In fact, The Fund only invested in one security, Force Medical.

12. In addition, in connection with the offers and sales of securities, Respondents failed to disclose material facts to investors and potential investors, including:

- a. The Fund's only investment, Force Medical, was principally owned by Doole's neighbor.
- b. Neither Doole nor The Fund conducted any independent due diligence of Force Medical, besides what was provided by Force Medical and its representatives.

13. Corporations Code section 25401 prohibits the offer or sale of securities in this state by means of written or oral communications that include untrue statements of material fact or omit materials facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. The omissions and misrepresentations of Respondents are material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.

**Violations of Corporations Code Section 25230**

**(Conducting Business as an Investment Adviser without a Certificate)**

14. Beginning in or about January 2009, BSDLLC provided investment advisory services to a pooled investment vehicle, BSD Venture Capital I, LP (The Fund), and recommended to members of the public, to invest money in The Fund. At all relevant times, BSDLLC was the

1 investment manager of The Fund and had discretionary authority for how The Fund invested its  
2 money, including investing in private companies.

3 15. From January 2009 through at least December 2015, BSDLLC provided investment  
4 advisory services, to at least one California client, and collected at least \$45,860.00 in management  
5 fees, and \$51,379.00 in personal use of investor funds for rent expenses for Doole’s other business  
6 activity, Permanent Value, Inc.

7 16. At all relevant times, neither the Department nor the United States Securities and  
8 Exchange Commission have issued an investment adviser certificate to any of the respondents.

9 17. Corporations Code section 25230 prohibits an investment adviser from conducting  
10 business as an investment adviser in this state without first securing from the Commissioner a  
11 certificate, then in effect, authorizing them to do so or unless they are exempt.

12 **Violations of CCR Section 260.237 and Corporations Code Section 25235**  
13 **(Fraudulent, Deceptive, or Manipulative Act, Practice or Course of Business By Failing to**  
14 **Follow Safekeeping Requirements while having Custody)**

15 18. At all relevant times, BSDLLC had custody of client funds and securities by having  
16 signatory authority on The Fund’s bank accounts, and authority to make withdrawals or transfers to  
17 outside accounts. However, between January 2009, through June 9, 2021, BSDLLC failed to follow  
18 any of the following safekeeping requirements, pursuant to CCR section 260.237 (a)(3)-(6).

19 19. CCR section 260.237 prohibits an investment adviser licensed or required to be  
20 licensed from having custody of client funds and securities, unless specific safekeeping requirements  
21 are followed. Furthermore, Corporations Code section 25235 prohibits an investment adviser from  
22 engaging in fraudulent, deceptive, or manipulative acts, practices or courses of business.

23 **II.**

24 **NOTICE OF INTENT TO ISSUE ORDER LEVYING ADMINISTRATIVE PENALTIES**

25 20. The Commissioner re-alleges and incorporates by reference paragraphs 1-19 of this  
26 Statement in Support, also contained in the Commissioner’s Desist and Refrain Order, as though fully  
27 set forth herein.

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1           21. Corporations Code section 25252 authorizes the Commissioner to issue an order  
2 levying administrative penalties against any person for willful violations of any provisions of the  
3 CSL and any rules promulgated thereunder.

4           22. Based on the foregoing findings, the Commissioner finds that the Respondents offered  
5 and sold unqualified, non-exempt securities in an amount of at least \$500,000.00, and made  
6 omissions of fact, to at least 4 investors, in violation of Corporations Code sections 25110 and 25401.

7           23. Further, the Commissioner finds that Respondents has conducted business as an  
8 investment adviser in this state without first securing from the Commissioner a certificate,  
9 authorizing them to do so, in violation of Corporations Code section 25230.

10          24. Further, the Commissioner finds that Doole engaged in a fraudulent, deceptive, or  
11 manipulative act, practice or course of business, including holding custody of client funds and  
12 securities, without following specific safekeeping requirements, in violation of Corporations Code  
13 section 25235 (d) and CCR section 260.237.

14          25. Pursuant to Corporations Code section 25252(b), the Commissioner hereby provides  
15 notice of intent to levy administrative penalties against BSDLLC and Doole, for the statutory amount  
16 of not more than one thousand dollars (\$5,000) for the first violation, not more than ten thousand  
17 dollars (\$10,000.00) for the second violation, and not more than fifteen thousand dollars (\$15,000.00)  
18 for each subsequent violation, or according to proof, for BSDLLC and Doole's willful violations of  
19 the CSL.

20           WHEREFORE, good cause showing, and pursuant to Corporations Code section 25252(b),  
21 the Commissioner prays for an order levying administrative penalties, individually, jointly and  
22 severally, against BSDLLC and Doole, as follows:

23           a. That pursuant to Corporations Code section 25252(a), the Commissioner levy  
24 administrative penalties of \$5,000.00 for the first violation of Corporations Code section 25110 and  
25 \$10,000.00 for the second violation of Corporations Code section 25110, and \$15,000.00 for each  
26 subsequent violation, as listed low, for a total amount of \$45,000.00 or according to proof:

- 27           i. First violation: \$5,000.00 for the first sale of a security;
- 28           ii. Second violation: \$10,000.00 for the second sale of a security; and

