

1 PRESTON DuFAUCHARD
California Corporations Commissioner
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Deputy Commissioner
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9 Attorneys for Complainant

10 BEFORE THE DEPARTMENT OF CORPORATIONS
11 OF THE STATE OF CALIFORNIA
12

13 In the Matter of) FILE NO. 925-3693
14)
15 THE CALIFORNIA CORPORATIONS) ORDER TO DISCONTINUE VIOLATIONS
16 COMMISSIONER,) PURSUANT TO CORPORATIONS CODE
17) SECTION 25249
18 Complainant,)
19 v.)
20 JOHN D. STEWART, CORNERSTONE)
21 EQUITY PARTNERS, LLC)
22 Respondents.)
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23 TO: John D. Stewart
24 Cornerstone Equity Partners, LLC
25 1700 Soscol Avenue, Suite 20
26 Napa, CA 94559-2515

27 The California Corporations Commissioner, Preston DuFauchard ("Commissioner"), finds
28 that John D. Stewart and Cornerstone Equity Partners, LLC have violated the requirements of the

1 Corporate Securities Law of 1968 set forth in Corporations Code section 25000 et seq., and the
2 regulations thereunder found in California Code of Regulations, title 10, section 260.000 et seq.

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4 John D. Stewart and Cornerstone Equity Partners, LLC have violated Corporation Code
5 provisions required of investment advisers found in Corporation Code section 25235 which prohibits
6 investment advisers from engaging in any act, practice, or course of business which is fraudulent,
7 deceptive, or manipulative and California Code of Regulations, title 10, Section 260.238 (k), (1), (2)
8 and (o) which requires investment advisers to disclose to a client in writing before entering into or
9 renewing an advisory agreement any conflict of interest relating to the adviser and any fees or
10 commissions earned by the investment adviser for executing securities transactions on behalf of the
11 clients account. John D. Stewart and Cornerstone Equity Partners, LLC violated California Code of
12 Regulations section 260.238(k)(2) as they did not disclose the conflict of interest that arose due to the
13 additional compensation arrangement with ProAction Sports Medicine Concepts that paid him fees for
14 placing Cornerstone Equity Partners, LLC's clients investments in ProAction Sports Medicine
15 Concepts. In addition, they violated 260.238(o) as the failure to disclose the additional compensation
16 and misrepresenting to Cornerstone Equity Partners, LLC's clients that they were receiving positive
17 returns on investments in 2004 and 2005 when they knew their investment in ProAction Sports
18 Medicine Concepts was losing money, constitutes a misrepresentation and omission of a material fact.
19 This conduct also violated California Corporations Code Section 25235 by employing a common
20 scheme or artifice to defraud clients and engaging in practices that are fraudulent, deceptive and
21 manipulative.

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NOW, BASED UPON THE FOREGOING, AND GOOD CAUSE APPEARING, it is hereby ORDERED under the provisions of Corporations Code section 25249, that John D. Stewart and Cornerstone Equity Partners, LLC immediately discontinue violating Corporation Code section 25235 which prohibits investment advisers from engaging in any act, practice, or course of business which is fraudulent, deceptive, or manipulative and California Code of Regulations, title 10, Section 260.238 (k), (1), (2) and (o) by failing to disclose conflicts of interest and fee agreements to investment adviser clients.

Dated: July 6, 2007
Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

By: _____
ALAN S. WEINGER
Lead Corporations Counsel