

- 1 b. Murphy told investors that they would have continuous access to their investment funds.
- 2 Investors never received their funds, despite numerous requests for return of their money.
- 3 c. Sterling Trust is a self-directed Individual Retirement Account (“IRA”) custodian
- 4 specializing in self-directed IRAs and business retirement plans. Murphy told some
- 5 investors that their funds would be held in a Sterling Trust account. Murphy was to open
- 6 a Sterling Trust account for these investors, deposit the initial principal investment and all
- 7 accrued interest into the Sterling Trust account and manage the investment. Contrary to
- 8 this agreement, Murphy did not open a Sterling Trust account; instead Murphy created
- 9 and distributed false Sterling Trust statements to at least one investor.
- 10 d. Financial Industry Regulatory Authority (“FINRA”), formerly the National Association of
- 11 Securities Dealers, Inc. (“NASD”), is a self-regulatory organization that provides member
- 12 firm regulation for securities firms that do business with the public in the United States.
- 13 In March 2002, NASD barred Murphy from associating with any member, in any
- 14 capacity.
- 15 e. In November 2001, Murphy filed for chapter 13 bankruptcy in the United States
- 16 Bankruptcy Court for the Central District of California.

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18 Based upon the foregoing findings, the California Corporations Commissioner is of the
19 opinion that the promissory notes offered and sold by Capital Investors, Inc. and Timothy M. Murphy
20 are securities subject to qualification under the California Corporate Securities Law of 1968 and are
21 or have been offered and sold without being qualified or exempt, in violation of California
22 Corporations Code section 25110.

23 Pursuant to section 25532 of the Corporations Code, Capital Investors, Inc. and Timothy M.
24 Murphy are hereby ordered to desist and refrain from the offer and sale of securities in the State of
25 California, including, but not limited to promissory notes, unless and until qualification has been
26 made under the law or unless exempt.

27 Further, based upon the foregoing findings, the California Corporations Commissioner is of
28 the opinion that the promissory notes were offered and sold in this state by means of oral and written

1 communications which included untrue statements of material facts and omitted to state material facts
2 necessary in order to make the statements made, in the light of the circumstances under which they
3 were made, not misleading, in violation of section 25401 of the Corporate Securities Law of 1968.

4 Pursuant to section 25532 of the Corporate Securities Law of 1968, Capital Investors, Inc. and
5 Timothy M. Murphy are hereby ordered to desist and refrain from offering or selling or buying or
6 offering to buy any securities in the State of California, including, but not limited to promissory
7 notes, by means of any written or oral communication which includes an untrue statement of a
8 material fact or omits to state a material fact necessary in order to make the statements made, in the
9 light of the circumstances under which they were made, not misleading.

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

13 Dated: December 10, 2010
14 Los Angeles, California

PRESTON DuFAUCHARD
California Corporations Commissioner

16 By _____
17 ALAN WEINGER
18 Deputy Commissioner
19 Enforcement Division