

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION**

IN THE MATTER OF:

Kleossum, Inc. CRD #154685, &
David F. Brochu CRD #1164857

Respondents

)
) ORDER TO SHOW CAUSE
) ORDER TO CEASE & DESIST
) ORDER OF SUMMARY SUSPENSION
)
) INV2014-00020
)

NOTICE OF ORDER

This Order commences an adjudicative proceeding under the provisions of RSA 421-B:26-a.

LEGAL AUTHORITY AND JURISDICTION

Pursuant to RSA 421-B:23, the Secretary of State has the authority to issue and cause to be served an order requiring any person appearing to him to be engaged or about to be engaged in any act or practice constituting a violation of RSA 421-B or any rule or order thereunder, to cease and desist from violations of RSA 421-B.

Pursuant to RSA 421-B:10, III, the Secretary of State may issue an order requiring any person to whom a license has been granted to show cause why its license should not be revoked. Further, the Secretary of State may by order summarily suspend or postpone any license, pending final determination of any order to show cause provided he finds that the public interest would be irreparably harmed by delay in issuing such order.

Pursuant to RSA 421-B:10,IV if the Secretary of State finds that any licensee is no longer in existence or has ceased to do business as an investment adviser or agent, or cannot be located after reasonable search, the secretary of state may by order revoke the license.

NOTICE OF RIGHT TO REQUEST A HEARING

The above named respondents have the right to request a hearing on this Order to Show Cause, Order to Cease and Desist, and Order of Summary Suspension as well as the right to be represented by counsel. Any such request for a hearing shall be in writing, shall be signed by the respondents, or by the duly authorized agent of the above named respondents, and shall be delivered either by hand or certified mail, return receipt requested, to the Bureau of Securities Regulation, Department of State, 25 Capitol Street, Concord, New Hampshire 03301.

Under the provisions of RSA 421-B:23, I, if respondents fails to request a hearing on this order within 30 calendar days of receipt of this order, respondents shall be deemed in default, and this order shall, on the thirty-first day, become permanent.

Upon request for a hearing being received by the Bureau of Securities Regulation, in the manner and form indicated above, a hearing shall be held not later than ten days after such request is received by the Bureau, after which hearing, the Secretary of State, or such other person authorized by statute, shall issue a further order vacating or modifying this order, or making it permanent, as the circumstances require.

STATEMENT OF ALLEGATIONS

The allegations contained in Staff Petitions for Relief dated August 21 and September 4, 2014 (copies of which are attached) are incorporated by reference hereto.

ORDER

WHEREAS, finding it necessary and appropriate and in the public interest, and for the protection of investors and consistent with the intent and purposes of the New Hampshire securities laws, and

WHEREAS, finding that the allegations contained in the Staff Petition, if proved true and correct, form the legal basis of the relief requested,

It is hereby ORDERED, that:

1. Respondents N.H. investment advisor licenses are hereby suspended effective the date of this order.
2. Respondents are hereby ordered to immediately cease and desist from further violations of RSA 421-B;
3. The Respondents are hereby ordered to show cause why its state investment advisor and investment advisor representative licenses should not be revoked in accordance with RSA 421-B:10,IV, and for violations of RSA 421-B:4,I and 421-B:4,V(f) and (k).
4. Respondents shall pay restitution to aggrieved investors, an administrative penalty, and investigation costs, the amounts of which to be determined by the Hearings Officer.
5. Failure to request a hearing within 30 days of the date of receipt of this Order shall result in a default judgment being rendered upon the defaulting Respondents.

SIGNED,
WILLIAM M. GARDNER
Secretary of State
By His Designee:

Dated: 9.4.2014



BARRY J. GLENNON, Director
Bureau of Securities Regulation

STATE OF NEW HAMPSHIRE
BUREAU OF SECURITIES REGULATION
DEPARTMENT OF STATE
25 CAPITOL STREET
CONCORD, NH 03301

STAFF PETITION FOR SHOW CAUSE RELIEF
IN THE MATTER OF:

Kleossum, Inc. CRD#154685
David F. Brochu CRD#1164857

INV2014-00020

STATEMENT OF ALLEGATIONS

I. The staff of the Bureau of Securities Regulation, Department of State, State of New Hampshire (hereinafter referred to as the "Bureau") alleges the following issues of fact:

1. Kleossum, Inc., (hereinafter referred to as "KI") was an Investment Adviser firm located at 53 Technology Lane, Conway, New Hampshire 03818. It is believed that David F. Brochu, (hereinafter referred to as "DF") was the sole owner and Investment Adviser Representative for KI until his arrest and indictment on several felony charges in the Carroll County Superior Court in Ossipee, New Hampshire. The arrest occurred on or about 2/22/2014 and indictment followed on 4/18/2014. Following the arrest and indictment, upon information and belief, DF's clients migrated to other firms and DF left New Hampshire and is now residing with a relative in Wells, Maine.
2. KI and DF no longer have a business location in New Hampshire, and it is believed that DF's residence in North Conway, New Hampshire is unoccupied and being foreclosed on. According to witnesses, KI is no longer in operation and has no clients. A recent e-mail from DF to the Bureau asked if he could, "moth ball" the company. See attached exhibit A.
3. KI and DF are currently licensed as a state registered investment adviser in New Hampshire as of 6/26/2013 and investment adviser representative as of 11/12/2010, but are no longer doing business in New Hampshire. KI and DF are not licensed in the State of Maine and it is believed that there is no business location there. KI and DF should show cause why there licensure should continue and not be suspended or revoked.

II. The staff of the Bureau, Department of State, State of New Hampshire alleges the following issues of law:

1. KI and DF are an investment adviser and investment adviser representative respectively as defined by RSA 421-B:2, IX and 421-B:2, IX-a, and are licensed as such in the State of New

Hampshire. They are also persons as defined by RSA 421-B:2, XVI.

2. Pursuant to RSA 421-B:10,III the Secretary of State may issue an order requiring the persons to whom any license has been granted to show cause why the license should not be revoked.
3. Pursuant to RSA 421-B:10,IV if the Secretary of State finds that any licensee is no longer in existence or has cease to do business as an investment adviser or agent, or cannot be located after reasonable search, the secretary of state may by order revoke the license.

RELIEF REQUESTED

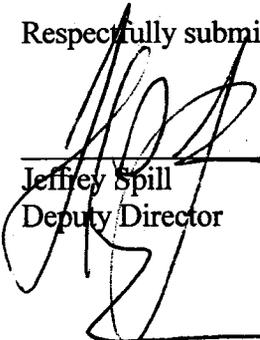
The staff of the Bureau of Securities Regulation requests the Director take the following action:

1. Find as fact the allegations contained in section I of the Statement of Allegations of this petition.
2. Make conclusions of law as stated in section II relative to the allegations contained in section I of this petition.
3. Order a show cause hearing and find under RSA 421-B:10,IV, that KI and DF have cease to do business, are no longer in existence, and have no proper business location and revoke the licenses of KI and DF.
4. Take such other actions as necessary for the protection of New Hampshire investors and enforcement of the Act.

RIGHT TO AMEND

The Bureau's Staff reserves the right to amend this Petition for Relief and to request that the Director of Securities take additional administrative action. Nothing herein shall preclude the Staff from bringing additional enforcement action under this NH RSA 421-B or the regulations thereunder.

Respectfully submitted by:



Jeffrey Spill
Deputy Director

August 21, 2014

From: Dbrochu [mailto:dbrochu003@gmail.com]

EXHIBIT A

Sent: Monday, July 28, 2014 10:15 AM

To: Kevin Moquin

Cc: William C. Saturley

Subject: Re: Request for Status of Investment Adviser Business - Kleossum, Inc, CRD/IARD# 154685

Thank you Attorney Moquin,

You are correct that Kleossum is no longer conducting business as a going concern. We may however choose to again after the ugliness of my divorce has passed. Can you recommend what steps I should take if what I really wish to do is moth ball the company for another six months?

Could you advise,

David

On Jul 25, 2014, at 1:47 PM, Kevin Moquin <Kevin.Moquin@SOS.NH.GOV> wrote:

Dear Mr. Brochu:

The Bureau's understanding is that Kleossum, Inc. is no longer conducting business as an investment adviser in New Hampshire.

Please reply to this email with the status of Kleossum and your intentions with regard to the business. At this point, the Bureau would request that you submit a Form ADV-W to the IARD system to withdraw Kleossum's investment adviser license in New Hampshire. If there is any information you would like to provide to the Bureau in support of continuing to maintain Kleossum's license, you are welcome to submit that.

Please provide the requested information as soon as possible but not later than 20 days from the date of this email. Thank you for your cooperation in this matter.

Regards,
Kevin B. Moquin
Senior Staff Attorney
NH Bureau of Securities Regulation

STATE OF NEW HAMPSHIRE
BUREAU OF SECURITIES REGULATION
DEPARTMENT OF STATE
25 CAPITOL STREET
CONCORD, NH 03301

STAFF PETITION FOR SUMMARY SUSPENSION
IN THE MATTER OF:

Kleossum, Inc. CRD#154685
David F. Brochu CRD#1164857

INV2014-00020

STATEMENT OF ALLEGATIONS

I. The staff of the Bureau of Securities Regulation, Department of State, State of New Hampshire (hereinafter referred to as the "Bureau") alleges the following issues of fact:

1. Kleossum, Inc., (hereinafter referred to as "KI") was an Investment Adviser firm located at 53 Technology Lane, Conway, New Hampshire 03818. KI rented space at this listed address, however, failed to pay rent and abandoned the office space on or about May 8th, 2014. The Bureau's information indicates that the sole owner of KI, David F. Brochu, (hereinafter referred to as "DF") has not managed KI since his arrest on February, 22nd, 2014, is financially insolvent, and has been residing out of the State of New Hampshire since at least April 13th, 2014. On August 21st, 2014, a Staff Petition For Relief was filed by the Bureau in the above captioned matter seeking a show cause hearing on the status of the advisory licenses of KI and DF. The Bureau requested in the Petition that KI and DF show cause why their licenses should not be revoked as they were no longer in business in Conway, New Hampshire. For the reasons alleged in this Petition, the Staff of the Bureau now requests summary suspension of the licenses of DF and KI pending a show cause hearing.
2. From about October 2002 to May 2010, DF was a registered investment advisor with Strategic Point Investment Advisors, LLC, (hereinafter referred to as "SPIA"), and a broker-dealer agent with Strategic Point Securities, LLC, (hereinafter referred to as "SPS"). SPIA and SPS are located in Providence, Rhode Island. Following DF's departure from SPIA and SPS in about May 2010, DF established an advisory firm KI in Conway, New Hampshire and in about November 2010 it was licensed by the State of New Hampshire. The Staff of the Bureau has received information that SPIA and SPS clients of DF decided to follow DF to his new firm KI. Investors #1 and #2 are from Pembroke, New Hampshire and have been with DF since his employment with SPIA and SPS and they told the Bureau that they signed an advisory contract with KI on December 7th, 2010.
3. From September 2011 to April 2013, DF established and sold interests to his KI clients in three limited liability companies called Brochu Family Farms, LLC, (hereinafter referred to as

("BFF"), KT1, LLC, (hereinafter referred to as "KT1") and Sustainable Forrest Fuels Wood, LLC (hereinafter referred to as "SFFW"). These limited liability company interests were held as part of KI customer accounts and DF and KI charged an advisory fee to manage these interests. It is believed that SFFW and KT1 were started by DF as a firewood business whereby KT1 owns the land upon which SFFW harvested the firewood for retail sale by KT1. BFF was a farm with land contiguous to the land of KT1. The farm is no longer in operation. DF was the manager of these three entities up until his arrest in February 2014. Following his arrest, KT1 was taken over by investors in KT1 and SFFW is not in operation. The investors and limited liability company members of KT1 ousted DF as its manager in about March of 2014 and it is believed that DF no longer has any involvement in that business. KT1 currently is an operating business that harvests and sells firewood. Despite the fact that DF no longer resides in New Hampshire, KI is defunct, and DF and KI no longer have an office location in New Hampshire, DF continued to solicit clients of KI (specifically those that either loaned money or invested in DF's businesses) to continue to invest in and loan money to SFFW a company that had no current operation at the time of the solicitation. DF sent these e-mail solicitations with revenue projections that are believed to be substantially inaccurate. The Bureau has recently, received copies of e-mails DF sent beginning in May 2014 and sent into July 2014 in essence stating that SFFW is still a viable business, that it is out of cash, not in operation, but could be a going and successful business with a five thousand dollar investment from each client and total capital of forty-five thousand dollars. These e-mails were sent to many of DF's clients including Investors #1, #2 and #3. In the e-mail solicitation, DF proposes to convert current loans to DF businesses to a lower interest rate of eight percent per year and provide equity in the business, or if already an equity owner he would provide an increase in the equity position to ten percent. Investor #3 from Madison, New Hampshire, was solicited by e-mail by DF to transfer money to BFF in about July 2014. She had invested one hundred thousand dollars (\$100,000) in SFFW and fifty thousand dollars (\$50,000) in KT1. Investor #3 was also a customer of KI and had an advisory account with KI and DF. Investors #1 and #2 had invested fifty thousand dollars (\$50,000) in KT-1 and fifty thousand dollars (\$50,000) in SFFW.

4. DF has a FINRA disciplinary record. In 2009, while DF was with SPIA and SPS, DF's license was suspended for 15 days and he was fined twenty thousand dollars (\$20,000) for violation of FINRA Rules 2110 and 3010 regarding FINRA findings that he sold private placements with inaccurate financial projections.

II. The staff of the Bureau, Department of State, State of New Hampshire alleges the following issues of law:

1. KI and DF are a licensed investment adviser and investment adviser representative respectively as defined by RSA 421-B:2, IX and 421-B:2, IX-a, and are licensed as such in the State of New Hampshire. They are also persons as defined by RSA 421-B:2, XVI.
2. Pursuant to RSA 421-B:4, I, it is unlawful for any person who receives any consideration from another person primarily for advising the other person as to the value of securities or

their purchase or sale, whether through the issuance of analyses or reports or otherwise, to employ any device, scheme, or artifice to defraud another person or to engage in any act, practice, or course of business which operates as a fraud or deceit upon the other person. DF is subject to this section for misrepresenting the future business revenue projections of SFFW in an attempt to receive investor money.

3. Pursuant to RSA 421-B:4,V(f), a person who is an investment advisor or investment advisor agent is a fiduciary and has a duty to act primarily for the benefit of the person's clients. While the extent and nature of this duty varies according to the nature of the relationship between an investment adviser and the clients and the circumstances of each case, an investment adviser or investment advisor agent shall not engage in unethical business practices which constitute violations including the following: borrowing money or securities from a client unless a client is a broker-dealer, an affiliate of the investment adviser, or a financial institution engaged in the business of loaning funds.
4. Pursuant to RSA 421-B:4,V(k), when DF and KI accepted the above described investments in the said businesses BBF, SFFW and BFF, DF and KI should have disclosed in writing the material conflict of interest DF and KI had in those business arrangements before rendering advise. DF and KI received an advisory fee based upon a percentage of those assets managed by DF and in violation of RSA 421-B:4,V(k) failed to disclose in writing and in KI's ADV the material conflict of interest.
5. Pursuant to RSA 421-B:10,III the Secretary of State may issue an order summarily suspending or postponing a licensed issued by the secretary of state pending final determination of any order to show cause, or any other proceeding, provided he finds that the public interest would be irreparably harmed by delay in issuing such order. KI and DF are subject to this section where they have no ongoing business location in New Hampshire, DF resides in the State of Maine, DF and KI are not licensed in the State of Maine, KI is defunct and has no net capital or procedures in place to safeguard or custody client investment money, and where DF continues to solicit KI clients to make additional investments, and loan and transfer money to DF's business interests. The public interest would be irreparable harmed by a delay.
6. Pursuant to RSA 421-B:10,IV if the Secretary of State finds that any licensee is no longer in existence or has cease to do business as an investment adviser or agent, or cannot be located after reasonable search, the secretary of state may by order revoke the license. KI and DF are subject to this section where they have no ongoing business location in New Hampshire, DF resides in the State of Maine, DF and KI are not licensed in the State of Maine, KI is defunct and has no net capital or procedures in place to safeguard or custody client investment money, and where DF continues to solicit KI clients to make additional investments, and to loan and transfer money to DF and his business interest.
7. Pursuant to RSA 421-B:22, in any investigation to determine whether any person has violated or is about to violate the New Hampshire Securities Act, upon the secretary of state prevailing at the hearing, or the person charged with the violation being found in

default, the secretary of state shall be entitled to recover the costs of the investigation, in addition to any other penalty provided for under this chapter. DF and KI are subject to this section.

8. Pursuant to RSA 421-B:23, whenever it appears to the secretary of state that any person has engaged or is about to engage in any act or practice constituting a violation of this chapter or any rule under this chapter, he shall have the power to issue and cause to be served upon such person an order requiring the person to cease and desist from violations of this chapter. DF and KI are subject to this section for violations of 421-B:10 and 421-B:4.
9. Pursuant to RSA 421-B:26, III, any person who, either knowingly or negligently, violates any provisions of this chapter may, upon hearing, and in addition to any other penalty provided for by law, be subject to such suspension, revocation or denial of any registration or license, or an administrative fine not to exceed \$2,500, or both. Each of the acts specified shall constitute a separate violation. DF and KI are subject to a suspension, revocation, or denial, and a fine for violations of RSA 421-B:4.
10. Pursuant to RSA 421-B:26,III-a, every person who directly or indirectly controls a person liable under paragraph III, every partner, principal executive officer, or director of such person, every person occupying a similar status or performing a similar function every employee of such person who materially aids in the act or transaction constituting the violation, and every broker-dealer or agent who materially aids in the acts or transactions constituting the violation, either knowingly or negligently, may, upon hearing, and in addition to any other penalty provided by law, be subject to such suspension, revocation, or denial of any registration or license, or administrative fine not to exceed \$2,500, or both. Each of the acts specified shall constitute a separate violation, and such administrative action or fine may be imposed in addition to any criminal penalties imposed pursuant to RSA 421-B:24 or civil liabilities imposed pursuant to RSA 421-B:25. DF and KI are subject to this section.
11. Pursuant to RSA 421-B:26,V, after notice and hearing, the Secretary of State may enter an order of rescission, restitution, or disgorgement directed to a person who has violated RSA 421-B. DF and KI are subject to this section for violations of RSA 421-B.

RELIEF REQUESTED

The staff of the Bureau of Securities Regulation requests the Director take the following action:

1. Find as fact the allegations contained in section I of the Statement of Allegations of this petition.
2. Make conclusions of law as stated in section II relative to the allegations contained in

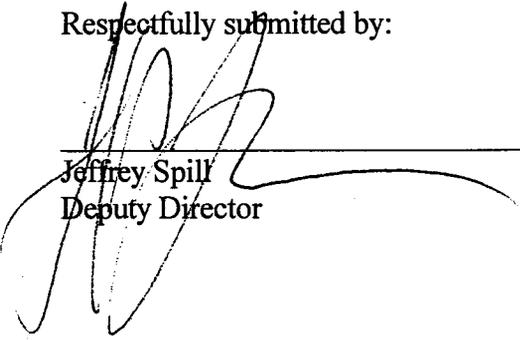
section I of this petition.

3. Pursuant to RSA 421-B:10, III, summarily suspend the advisory licenses of DF and KI.
4. Pursuant to RSA 421-B:23 order DF and KI to cease and desist.
5. Order a show cause hearing and find under RSA 421-B:10,IV, that KI and DF have ceased to do business, are no longer in existence, and have no proper business location and revoke the licenses of KI and DF. Find also that DF and KI violated RSA 421-B:4,I and 421-B:4,V(f) and (k).
6. Order restitution as determined by the Hearing Officer.
7. Pay an administrative penalty and costs as determined by the Hearing Examiner.
8. Take such other actions as necessary for the protection of New Hampshire investors and enforcement of the Act.

RIGHT TO AMEND

The Bureau's Staff reserves the right to amend this Petition for Relief and to request that the Director of Securities take additional administrative action. Nothing herein shall preclude the Staff from bringing additional enforcement action under this NH RSA 421-B or the regulations thereunder.

Respectfully submitted by:



Jeffrey Spill
Deputy Director

September 4, 2014
