STATE OF CALIFORNIA BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY DEPARTMENT OF BUSINESS OVERSIGHT

TO: Adrian Simon 25876 The Old Road, Suite 289 Stevenson Ranch, California 91381

Legacy Wealth Management, LLC a.k.a. Legacy Management 25876 The Old Road, Suite 289 Stevenson Ranch, California 91381

Richport Capital, LLC 27943 Seco Canyon Road, Suite 419 Santa Clarita, California 91350

DESIST AND REFRAIN ORDER (For violations of sections 25210 and 25230 of the Corporations Code)

The Commissioner of Business Oversight (Commissioner) finds that:

- 1. At all relevant times, Adrian Simon (Simon) is an individual with a principal place of business at 25876 The Old Road, Suite 289, Stevenson Ranch, California 91381.
- 2. Simon operated using multiple business names, including, but not limited to: "Legacy Wealth Management," "Richport Capital," "Strategic Capital Management, LLC," and "Strategic Management." Simon used multiple email addresses, including, but not limited to: bankeras@me.com; Adrian.simon@lwmllc.net; Adrian.lwmllc@icloud.com; and Adrian.richportcap@icloud.com.
- 3. At all relevant times, Legacy Wealth Management, LLC a.k.a. Legacy Management (Legacy Management) is a California limited liability company formed on or around March 19, 2008, with a principal place of business at 25876 The Old Road, Suite 289, Stevenson Ranch, California 91381. Simon is the managing director and control person of Legacy Management.
- 4. At all relevant times, Richport Capital, LLC (Richport Capital) is a California limited liability company formed on or around August 11, 2014, with a principal place of business at 27943 Seco Canyon Road, Suite 419, CA 91350. Simon is the managing director and/or control person of Richport Capital.

- 5. During the period of August 1992 through April 2007, Simon was registered with the Financial Industry Regulatory Authority (FINRA) with a Central Registration Depository (CRD) number 2268559 as an investment adviser representative for various investment adviser firms.
- 6. After Simon's termination from employment in or around April 2007, Simon ceased to be registered with FINRA as an investment adviser representative and never obtained a certificate from the Commissioner to act as an investment adviser under Corporations Code section 25230. Simon is not exempt from the requirement to obtain a certificate from the Commissioner prior to engaging in the business of an investment adviser.
- 7. Simon has never obtained a certificate from the Commissioner to act as a broker-dealer pursuant to Corporations Code section 25210 and is not exempt from the licensure requirement.
- 8. Legacy Management has never obtained a certificate to act as a broker-dealer under Corporations Code section 25210 and is not exempt from the licensure requirement.
- 9. Legacy Management has never obtained a certificate to act as an investment adviser under Corporations Code section 25230 and is not exempt from the licensure requirement.
- 10. Richport Capital has never obtained a certificate to act as a broker-dealer under Corporations Code section 25210 and is not exempt from the licensure requirement.
- 11. Richport Capital has never obtained a certificate to act as an investment adviser under Corporations Code section 25230 and is not exempt from the licensure requirement.
- 12. From in or around December 2012 through at least April 2016, Simon, Legacy Management, and Richport Capital engaged in the business of investment advisers and broker-dealers, as further described below.

Unlicensed Investment Advisers and Broker-Dealers: Simon and Legacy Management

13. In or around December 2012, Legacy Management entered into a Client Agreement with a California resident (Client A). Simon signed the Client Agreement on behalf of Legacy Management, who was designated as the "Advisor." Client A's Client Agreement stated in relevant part:

Discretionary Investment Management. The Client is opening a discretionary advisory account (the "Account") with Advisor. The Client authorizes Advisor to buy, sell, or otherwise trade securities or other investments in the Account without discussing the transactions with the Client in advance . . .

Financial Planning. The Client has selected Advisor for the purpose of acquiring information to develop a "Personalized Financial Plan" . . .

Fees for Financial Planning. Fees for financial planning range from \$2,500 to \$25,000 per financial planning year

- 14. In or around December 2012, Simon sent Client A an email containing Legacy Management's wire information, including bank name, routing number, account number, and account name, "Legacy Wealth Management." Simon stated, "Once the funds are received, I will deploy them in the corporate brokerage account on a down day, so that we can take advantage of a potential market dip. I will also email you a receipt for the funds so that you can have it for your records." The signature line read, "Adrian Simon, MBA RFC." On or around December 6, 2012, Client A wired \$55,000.00 to Legacy Management.
- 15. The Client Agreement with Client A stated that Legacy Management would provide the clients of Investment Management Services with a "quarterly portfolio report of current holdings." On June 3, 2013, Legacy Management sent Client A a letter signed by Simon purporting to summarize Client A's account performance and annualized rate of return over the past six months.
- 16. On or around January 27, 2016, Simon sent Client A an email containing Invoice # 1018 charging \$2,000.00 as the "2016 annual management retainer." The invoice displayed the following contact information: "Strategic Management;" at bankeras@me.com.
- 17. In or around January 2016 Client A received a document entitled, "[Client A] Account Performance." The document indicated "Portfolio and Trade Details" for "700 shs AAPL @ 95.75."
- 18. In or around July 2013, Simon instructed a California resident who had executed a Client Agreement with Legacy Management in July 2013 (Client B), "Also, the check should be made out to Legacy Wealth Management, LLC and not to me." Simon added, "[t]he \$4,500 includes

the 2% annual fee (\$4,000 based on \$200k) plus the \$500 tax prep. The 20% will be assessed each quarter based on account performance."

- 19. In or around January 2014, Simon gave Client B recommendations about buying and selling stock, including the following: "[T]his company is one of my favorite down-beaten plays in this market, and I expect a good rebound . . . we should have a significant return on this position . . . We had a couple of bad option trades in the account . . . However, given that this is a retirement account, those paper losses are just that"
- 20. In or around September 2015, Simon gave Client B recommendations on how to invest the equity in real properties, including the following: "I have done some research across multiple sources with regards to the properties' valuations," including Client B's residence. Simon stated, "[W]e have, on average, about \$891,000 of total equity available. I would recommend taking out about half of the equity available, and split that up between the two opportunities we discussed," which included investing in a company "pre-IPO" and a publicly traded lighting business.

<u>Unlicensed Investment Advisers and Broker-Dealers: Simon and Richport Capital</u>

21. In or around February 2015, Richport Capital entered into a Client Agreement with a California resident (Client C). Simon signed the Client Agreement on behalf of Richport Capital, who was designated as the "Advisor." Client C's Client Agreement stated in relevant part:

Discretionary Investment Management. The Client is opening a discretionary advisory account (the "Account") with Advisor. The Client authorizes Advisor to buy, sell, or otherwise trade securities or other investments in the Account without discussing the transactions with the Client in advance . . .

Financial Planning. The Client has selected Advisor for the purpose of acquiring information to develop a "Personalized Financial Plan"

Fees for Financial Planning. Fees for financial planning range from \$2,500 to \$25,000 per financial planning year

22. In or around October 2015, Client C received from Richport Capital an "Account Summary" purporting to show purchases and sales of various stocks.

23. In or around July 2015, Richport Capital sent a letter to a California resident (Client D), confirming receipt of \$19,000.00 "for the purpose of investment. These funds are the sole property of [Client D]. Sincerely, Adrian Simon." In or around November 2015, Client D received a document purporting to show Richport Capital's purchases and sales of stocks between July 2015 and November 2015.

Applicable Law

- 24. The Commissioner is authorized to administer and enforce the provisions of the Corporate Securities Law of 1968, Corporations Code sections 25000 *et seq.* (CSL) and the regulations thereunder at Title 10, California Code of Regulations (CCR) sections 260 *et seq.*
- 25. Corporations Code section 25004 defines "broker-dealer" as any person engaged in the business of effecting transactions in securities in this state for the account of others or for his own account, and includes a person engaged in the regular business of issuing or guaranteeing options with regard to securities not of his own issue.
- 26. Corporations Code section 25210, subdivision (a) prohibits any broker-dealer from effecting any transaction in, or inducing or attempting to induce the purchase or sale of any security without first applying for and securing a certificate from the Commissioner authorizing them to do so, unless exempt.
- 27. Corporations Code section 25009 defines "investment adviser" as any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, and includes any person who uses the title, "financial planner."
- 28. Corporations Code section 25230, subdivision (a) prohibits a person from conducting business as an investment adviser in this state without first applying for and securing a certificate from the Commissioner authorizing them to do so, unless exempt.
 - 29. Corporations Code section 25532, subdivision (b) states:
 - If, in the opinion of the commissioner, a person has been or is acting as a broker-dealer or investment adviser, or has been or is engaging in broker-

dealer or investment adviser activities, in violation of Section 25210, 25230, or 25230.1, the commissioner may order that person to desist and refrain from the activity until the person has been appropriately licensed or the required filing has been made under this law.

Based on the foregoing, the Commissioner is of the opinion that Adrian Simon, Legacy Wealth Management, LLC a.k.a. Legacy Management, and Richport Capital, LLC conducted business as investment advisers in this state without first applying for and securing from the Commissioner a certificate, then in effect, authorizing them to do so, in violation of Corporations Code section 25230.

Pursuant to Corporations Code section 25532, subdivision (b), Adrian Simon, Legacy Wealth Management, LLC a.k.a. Legacy Management, and Richport Capital, LLC are hereby ordered to desist and refrain from engaging in the business of investment advisers in the State of California unless and until they have first applied for and secured from the Commissioner a certificate, then in effect, authorizing them to engage in the business of investment advisers.

Furthermore, based on the foregoing, the Commissioner is of the opinion that Adrian Simon, Legacy Wealth Management, LLC a.k.a. Legacy Management, and Richport Capital, LLC engaged in the business of broker-dealers in this state without first applying for and securing from the Commissioner a certificate, then in effect, authorizing them to do so, in violation of Corporations Code section 25210.

Pursuant to Corporations Code section 25532, subdivision (b), Adrian Simon, Legacy Wealth Management, LLC a.k.a. Legacy Management, and Richport Capital, LLC are hereby ordered to desist and refrain from engaging in the business of broker-dealers in the State of California unless and until they have first applied for and secured from the Commissioner a certificate, then in effect, authorizing them to engage in the business of broker-dealers.

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| 1 | This Order is necessary, in the public interest, for the protection of investors and consister | nt |
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| 2 | with the purposes, policies, and provisions of the Corporate Securities Law of 1968. | |
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| 4 | Dated: September 5, 2017 | |
| 5 | Los Angeles, California | |
| 6 | JAN LYNN OWEN | |
| 7 | Commissioner of Business Oversight | |
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| 10 | By: | |
| 11 | By: MARY ANN SMITH Denuty Commissioner | |
| 12 | Deputy Commissioner Enforcement Division | |
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