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9
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 THIRD COMMA LLC, and RICHARD W.
17 SIMPSON,

18 Respondents.

CRD NO.: 2129917

ACCUSATION IN SUPPORT OF ORDER
BARRING RICHARD W. SIMPSON FROM
ANY POSITION OF MANAGEMENT OR
CONTROL OF AN INVESTMENT ADVISER,
BROKER-DEALER, OR COMMODITY
ADVISED

(Cal. Corp. Code section 25232.1)

19 Clothilde V. Hewlett, Commissioner of the Department of Financial Protection and
20 Innovation (Commissioner), acting to protect the public, alleges and charges as follows:

21 I.

22 **INTRODUCTION**

23 1. The Commissioner brings this action pursuant to the provisions of the Corporate
24 Securities Law of 1968 (Cal. Corp. Code §§ 25000-25707) (CSL), and the accompanying regulations
25 in Title 10 of the California Code of Regulations §§ 260.000-260.617 (CCR), which cover the
26 licensure, examination, and regulation of investment advisers.

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1 2. The Commissioner brings this action to bar Respondent Richard W. Simpson
2 (Simpson) (Central Registration Depository No. 2129917)¹ from any position of management or
3 control of any broker-dealer or investment adviser, pursuant to Corporations Code sections 25232.1
4 and 25232 (d) and (e).

5 II.

6 **THE COMMISSIONER HAS GROUNDS TO BAR RICHARD W. SIMPSON FROM ANY**
7 **POSITION OF MANAGEMENT OR CONTROL OF ANY INVESTMENT ADVISER,**
8 **BROKER-DEALER, OR COMMODITY ADVISER**

9 3. Pursuant to Corporations Code section 25232 and 25232.1, the Commissioner may bar
10 an individual from any position of employment, management or control of any investment adviser,
11 broker-dealer or commodity adviser, if she finds the bar is in the public interest and that the person
12 done any of the following acts, enumerated in Corporations Code Section 25232.

13 4. Corp. 25232.1 provides, in relevant part:

14 The commissioner may, after appropriate notice and opportunity for
15 hearing...*bar...from any position of employment, management or control of any*
16 *investment adviser, broker-dealer or commodity adviser, any officer, director, partner,*
17 *employee of, or person performing similar functions for, an investment adviser, or any*
18 *other person, if he or she finds that the...bar is in the public interest and that the*
19 *person has committed any act or omission enumerated in subdivision... (e)...of Section*
20 *25232... [Emphasis added.]*

21 (Cal. Corp. Code, § 25232.1)

22 5. Corporations Code section 25232 provides, in relevant part:

23 (d) Is or has been subject to... (2) *any order of any national securities association ...*
24 *suspending or expelling* that person from membership in the association or
25 exchange or from association with any member thereof, or (3) *any other order of*
26 *the commission...necessary for the protection of any investor... [Emphasis added.]*

27 (e) Has *willfully violated . . . Title 4* (commencing with Section 25000)... [Emphasis
28 added.]

(Cal. Corp. Code, § 25232 (d) and (e))

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¹ The Central Registration Depository (CRD) is a database maintained by the Financial Industry Regulatory Authority (FINRA) since 2007 for all firms and individuals involved in the U.S. securities industry. It is used to store and maintain information on registered securities and broker firms, as well as individuals who dispense investing and financial advice.

6. There are several grounds for barring Richard Simpson from engaging in any further broker-dealer or investment adviser activity, from a position of management or control: (1) National Association of Securities Dealers (NASD)² expulsion of Intra Network Securities, Inc. (INS), in December 2004; (2) NASD suspension of Simpson on December 19, 2005, for a period of 14 months; (3) NASD suspension of Simpson on November 5, 2007, for a period of 20 business days; (4) / Financial Industry Regulatory Authority (formerly NASD) (FINRA) suspension of Simpson on April 15, 2013, for a period of 18 months; (6) California Commissioner revocation of INS' broker-dealer certificate in June 2006; (7) California Commissioner denied XO Financial Group Inc.'s application for an investment adviser certificate on August 14, 2006; and (8) Simpson's willful failure to disclose these suspensions, expulsion, revocation, and outstanding judgments in his offer and sale of securities, in violation of Corporations Code Section 25401.

A. FIRST CAUSE: NASD'S EXPULSION ORDER ISSUED AGAINST A COMPANY CONTROLLED BY SIMPSON PURSUANT TO CORPORATIONS CODE SECTION 25232 (d)(2)

7. On December 13, 2004, NASD issued an action expelling Simpson's company, Intra Network Securities, Inc. (INS), of which Simpson was the President, Chief Operations Officer, and 50% owner.

8. NASD's expulsion order was based on INS's failure to pay fines and costs. Cause, therefore, exists to deny bar Simpson from a position of management or control of an investment adviser, broker-dealer, or commodity adviser, pursuant to Corporations Code sections 25232.1 and 25232 (d)(2).

B. SECOND CAUSE: NASD'S SUSPENSION ORDER ISSUED AGAINST SIMPSON PURSUANT TO CORPORATIONS CODE SECTION 25232 (d)(2)

9. On December 19, 2005, NASD issued an order suspending Simpson from association with any NASD member in any capacity, for a period of 14 months.

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² The National Association of Securities Dealers (NASD) was national securities association and a self-regulatory organization of the securities industry, and a predecessor of the Financial Industry Regulatory Authority (FINRA).

1 10. NASD’s suspension order was based on Simpson’s refusal to comply with an
2 arbitration award or settlement agreement or to satisfactorily response to a NASD request to provide
3 information concerning the status of compliance. Cause, therefore, exists to deny bar Simpson from a
4 position of management or control of an investment adviser, broker-dealer, or commodity adviser,
5 pursuant to Corporations Code sections 25232.1 and 25232 (d)(2).

6 **C. THIRD CAUSE: NASD’ SUPENSION ORDER ISSUED AGAINST SIMPSON**
7 **PURSUANT TO CORPORATIONS CODE SECTION 25232 (d)(2)**

8 11. On November 5, 2007, NASD issued an order suspending Simpson a second time,
9 from association with any NASD member in any capacity, for a period of 20 business days. In
10 addition, NASD imposed a \$5,000.00 penalty.

11 12. NASD’s suspension action and penalty order were based on Simpson’s failure to
12 provide documents in a timely manner and failure to appear at a NASD “on the record” interview.
13 Cause, therefore, exists to deny bar Simpson from a position of management or control of an
14 investment adviser, broker-dealer, or commodity adviser, pursuant to Corporations Code sections
15 25232.1 and 25232 (d)(2).

16 **D. FOURTH CAUSE: FINRA’S SUPENSION ORDER ISSUED AGAINST SIMPSON**
17 **PURSUANT TO CORPORATIONS CODE SECTION 25232 (d)(2)**

18 13. On April 15, 2013, FINRA (formerly NASD) issued an order suspending Simpson a
19 third time, from association with any FINRA member in any capacity, for a period of 18 months.

20 14. FINRA’s suspension order was based on Simpson’s willful failure to disclose several
21 unsatisfied judgements, as well as a pending litigation and a settlement. In connection with FINRA’s
22 investigation into his failure to disclose the reportable events, Simpson provided false and misleading
23 information to FINRA. In addition, Simpson failed to produce information and documents in
24 response to FINRA’s requests for information and documents. Cause, therefore, exists to deny bar
25 Simpson from a position of management or control of an investment adviser, broker-dealer, or
26 commodity adviser, pursuant to Corporations Code sections 25232.1 and 25232 (d)(2).

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1 **E. FIFTH CAUSE: CALIFORNIA COMMISSIONER'S REVOCATION ORDER**
2 **ISSUED AGAINST A COMPANY CONTROLLED BY SIMPSON PURSUANT TO**
3 **CORPORATIONS CODE SECTION 25232 (d)(3)**

4 15. On June 5, 2006, the California Department of Financial Protection and Innovation
5 (formerly Department of Corporations) issued an order revoking Simpson's company, INS, of which
6 Simpson was the President, Chief Operations Officer, and 50% owner.

7 16. The Commissioner's revocation order was based upon Simpson's active suspension by
8 NASD and other sanctions issued by NASD, an outstanding judgement in a civil action, which
9 included allegations of securities fraud, and unregistered sales of securities through general
10 solicitations in California committed by one or more principals of INS. Cause, therefore, exists to
11 deny bar Simpson from a position of management or control of an investment adviser, broker-dealer,
12 or commodity adviser, pursuant to Corporations Code sections 25232.1 and 25232 (d)(3).

13 **F. SIXTH CAUSE: CALIFORNIA COMMISSIONER'S ORDER DENYING AN**
14 **APPLICATION FOR AN INVESTMENT ADVISER CERTIFICATE ISSUED**
15 **AGAINST A COMPANY CONTROLLED BY SIMPSON PURSUANT TO**
16 **CORPORATIONS CODE SECTION 25232 (d)(3)**

17 17. On August 14, 2006, the California Department of Financial Protection and Innovation
18 (formerly Department of Corporations) issued an order denying the application for an investment
19 adviser certificate of Simpson's company, XO Financial Group, Inc., of which Simpson was the
20 President and 50% owner.

21 18. The Commissioner's denial, pursuant to Corporations Code section 25232 (d), was
22 based upon the following: (1) prior orders issued by NASD on December 13, 2004, and December
23 19, 2005; (2) prior orders issued by the Commissioner on June 5, 2006; (3) Simpson, as an individual
24 or as a control person, has been held liable in a civil action by final judgement of a court based upon
25 conduct showing moral turpitude; and (4) Simpson, as an individual or as a control person, has
26 willfully violated provisions of the CSL, including a violation of Corporations Code section 25401.
27 Cause, therefore, exists to bar Simpson from a position of management or control of an investment
28 adviser, broker-dealer, or commodity adviser, pursuant to Corporations Code sections 25232.1 and
25232 (d)(3).

1 **G. SEVENTH CAUSE: WILLFUL VIOLATION OF THE CSL PURSUANT TO**
2 **CORPORATIONS CODE SECTION 25232 (e)**

3 19. On March 17, 2008, Precision Dental Design, Inc. (PDD), 16236 San Dieguito Road,
4 Suite 3-28, Rancho Santa Fe, California 92067 was formed as a California corporation. Simpson was
5 a Director and Officer of PDD.

6 20. Between August 2008 and February 2010, Simpson and PDD offered and sold
7 securities in the form of promissory notes. However, Simpson failed to disclose material facts,
8 including, but not limited to: (1) NASD expulsion; (2) NASD suspensions; (3) California
9 Commissioner’s revocation of a broker-dealer certificate; and (4) the several unsatisfied judgments
10 from civil actions brought by prior investors, in violation of Corporations Code 25401.

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

17 22. Cause, therefore, exists to bar Simpson from a position of management or control of
18 an investment adviser, broker-dealer, or commodity adviser, pursuant to Corporations Code sections
19 25232.1 and 25232 (e).

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III.

CONCLUSION

Based on the foregoing, the Commissioner finds that grounds exist, and that it in the public interest to bar Richard W. Simpson, from any position of management or control of any investment adviser, broker-dealer, or commodity adviser, pursuant to Corporations Code section 25232.1.

Pursuant to Corporations Code sections 25232 and 25232.1, the Commissioner hereby provides her notice of intent to issue an order to bar Richard W. Simpson, from any position of management or control of any investment adviser, broker-dealer, or commodity adviser.

Dated: April 17, 2024

CLOTHILDE V. HEWLETT
Commissioner of Financial Protection and Innovation

By _____
RYAN M. CASSIDY
Counsel
Enforcement Division