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California Corporations Commissioner
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BEFORE THE DEPARTMENT OF CORPORATIONS

OF THE STATE OF CALIFORNIA

In the Matter of the Accusation of THE CALIFORNIA CORPORATIONS COMMISSIONER, Complainant, v. RICHARD W. SIMPSON, Respondent.	FILE NO. **ACCUSATION IN SUPPORT OF NOTICE OF INTENTION TO ISSUE ORDER BARRING RICHARD W. SIMPSON FROM ANY POSITION OF EMPLOYMENT, MANAGEMENT OR CONTROL OF ANY BROKER-DEALER OR INVESTMENT ADVISER, PURSUANT TO CORPORATIONS CODE SECTION 25213**

Preston DuFauchard, the California Corporations Commissioner ("Commissioner") of the Department of Corporations ("Department") alleges and charges as follows:

I. JURISDICTION AND VENUE

1. This action is brought in order to bar Respondent Richard W. Simpson ("Richard Simpson") from any position of employment, management or control of any broker-dealer or investment adviser, pursuant to Corporations Code ("CC") sections 25212 and 25213.

State of California - Department of Corporations

2. The Commissioner is authorized to administer and enforce the provisions of the Corporate Securities Law of 1968, CC sections 25000 et seq., and the regulations thereunder at Title 10, California Code of Regulations.

II. STATEMENT OF FACTS

3. On March 7, 1997 the Commissioner issued to Intra-Network Securities, Inc. ("Intra-Network Securities"), 16709 San Dieguito Road, Rancho Santa Fe, CA 92067, a broker-dealer certificate pursuant to CC section 25211. From May 1996 to at least December 13, 2004, Richard Simpson was the President and Chief Operating Officer of Intra-Network Securities. (Dennis Pearson was Chief Executive Officer).

4. On July 12, 2005, XO Financial Group, Inc., ("XO Financial"), 16709 San Dieguito Road, Suite A-2, Rancho Santa Fe, California, 92067, filed with the Commissioner an application for investment adviser registration. Richard Simpson was a Director and the President of XO Financial. (Dennis Pearson was a Director and the Chief Executive Officer).

5. On January 30, 2006 the Commissioner issued Notices of Intent to seek Orders Denying the Application for Investment Adviser Certificate of XO Financial and Revoking the Broker-Dealer Certificate of Intra-Network Securities. Intra-Network Securities did not request a hearing and the Order Revoking the Broker-Dealer Certificate was made final on June 5, 2006. A timely request for a hearing was made by XO Financial and a hearing was scheduled for August 2, 2006. On July 31, 2006 XO Financial withdrew its request for hearing, and the Order Denying the Application for Investment Adviser Certificate was made final on August 14, 2006.

6. The facts stated in the Order Denying the Application for Investment Adviser Certificate and the Order Revocation of the Broker-Dealer Certificate were identical, and provide as follows:

> "On or about December 6, 2002, Intra-Network Securities, Inc. and Dennis Pearson executed a Letter of Acceptance, Waiver and Consent ("AWC") issued by the National Association of Securities Dealers ("NASD") for engaging in fraudulent securities solicitation and sales practices. Per the AWC, Intra-Network Securities Inc. and Pearson were suspended from all broker dealer activities for 7 months, ordered to make offers of rescission to investors, and penalized $30,000 to be paid by installments. On December 13, 2004 the NASD expelled Intra-Network Securities, Inc. and Dennis Pearson from NASD membership for failure to pay the penalties and costs.

State of California - Department of Corporations

"On January 15, 2002 Hoaison Green and Hai Weeks of Seattle, Washington, filed a Complaint, action number CV 02 0143, in the Federal District Court, Western District of Washington, against Intra-Network Securities, Inc. its principal Richard Simpson, and others alleging securities fraud and misrepresentation. On June 16, 2003 Richard Simpson on behalf of Intra-Network Securities, Inc. entered into a settlement agreement providing that Intra-Network Securities, Inc. would pay the plaintiffs a certain total sum through periodic installment payments and agreeing that an executed stipulated judgment could be filed if timely installment payments were not made. When only one installment payment was made, the action was reopened and the stipulated judgment was filed. On July 23, 2004 the court entered Judgment against Richard and Jane Doe Simpson and Intra-Network Securities, Inc. in the amount of $87,745.20. That judgment amount remains unpaid to date.

"Intra-Network Securities, Inc., Dennis Pearson and Richard Simpson engaged in a general solicitation to offer and sell securities, specifically promissory notes issued by Deltacom Networks, Inc., by means of unsolicited telephone calls to investors. These securities were offered and sold in non-issuer transactions. The Department of Corporations has not issued any qualification authorizing the offer and sale of these securities in this state and there is no available exemption."

7. National Association of Securities Dealers (now known as Financial Industry Regulatory Authority or " FINRA") is a national self-regulatory membership association of broker-dealers. Following the suspension and expulsion of Intra-Network Securities that was a basis of the Commissioner's Orders (and found in that portion of the Orders quoted above), FINRA suspended the membership of Richard Simpson on two further occasions, from December 19, 2005 to February 16, 2007 and from November 5, 2007 to December 3, 2007.

8. The December 19, 2005 FINRA suspension of Richard Simpson was for his failure to pay an arbitration award in favor of Helen James. Helen James was an investor who filed a claim with FINRA, Arbitration No. 04-06496, against Richard Simpson, Dennis Pearson, and Intra-Network Securities, alleging breach of fiduciary duty, negligence, fraudulent misrepresentation, omissions, and unsuitability, involving the purchase and/or sale of investments in at least four companies. In September 2005, an arbitration panel awarded Helen James $237,600.

9. The November 5, 2007 FINRA suspension of Richard Simpson, was the result of his long history of refusal to cooperate in FINRA investigations, as shown in an Order Accepting Offer of Settlement dated October 2, 2007 in FINRA Disciplinary Proceeding No. E022004014507.

State of California - Department of Corporations

10. Due to Richard Simpson's failure to pay several outstanding civil judgments, abstracts of judgments have been filed the San Diego County Recorder's Office on real property he owns, including the abstract of the FINRA judgment of $237,600 filed by Helen James on February 4, 2008. The judgments obtained by several investor claimants remain unsatisfied to date, including, but not limited to, the judgments of Helen James and Hoaison Green and Hai Weeks.

11. On March 9, 2006 Integrated Dental Solutions, Inc. ("IDS"), 6195 Cornerstone Court East, Unit 1, San Diego, California 92121 was formed as a Nevada corporation. Richard Simpson was a Director and Chief Financial Officer and Dennis Pearson was Chairman and Chief Executive Officer. The stated purpose of the company was to offer a combination of dental software technology and laboratory services to the dental industry. Beginning in February 2006 Richard Simpson, Dennis Pearson, and IDS offered and sold securities in the form of promissory notes convertible to stock in IDS and agreed to make interest payments of 10% per annum. In connection with these offers and sales Richard Simpson and IDS willfully failed to disclose material facts: specifically the NASD/FINRA suspensions and expulsions, the Commissioner's revocation of the broker-dealer certificate, and the several unsatisfied judgments brought by prior investors.

12. On March 17, 2008 Precision Dental Design, Inc. ("PDD"), 16236 San Dieguito Road, Suite 3-28, Rancho Santa Fe, California 92067 was formed as a California corporation. Richard Simpson was a Director and Officer. Initially the stated purpose of the company was to market digital impression technology to the dental industry, but later Richard Simpson stated that investor funds would be used to purchase Broker-Dealer firms and the plan was to sell interests in PDD to the new clients obtained through the broker-dealer. Between August 2008 and February 2010 Richard Simpson and PDD offered and sold securities in the form of promissory notes maturing at various time periods with interest payments of between 3% and 12%. In connection with these offers and sales Richard Simpson and PDD willfully failed to disclose material facts: specifically the NASD/FINRA suspensions and expulsions, the Commissioner's revocation of the broker-dealer certificate, and the several unsatisfied judgments from actions brought by prior investors.

State of California - Department of Corporations

III. RESPONDENT RICHARD W. SIMPSON SHOULD BE BARRED FROM ANY POSITION OF EMPLOYMENT, MANAGEMENT OR CONTROL OF ANY BROKER-DEALER OR INVESTMENT ADVISER PURSUANT TO CORPORATIONS CODE SECTION 25213 FOR ACTS COMMITTED AS SPECIFIED UNDER CORPORATIONS CODE SECTION 25212.

13. Corporations Code Section 25213 provides:

> "The commissioner may, after appropriate notice and opportunity for hearing, by order censure, or suspend for a period not exceeding 12 months, or deny or bar from any position of employment, management or control of any broker-dealer or investment adviser, any officer, director, partner, employee of, or person performing similar functions for, a broker-dealer, or any other person, if the commissioner finds that the censure, suspension or bar is in the public interest and that the person has committed any act or omission enumerated in subdivision (a), (e), (f), or (g) of Section 25212 or has been convicted of, or pled nolo contendere to, any offense or been held liable in any civil action specified in subdivision (b) of Section 25212, or is enjoined from any act, conduct or practice specified in subdivision (c) of Section 2512 or is subject to any order specified in subdivision (d) of Section 25212."

14. According to Corporations Code Section 25213, a person may be barred based on the following sections of Corporations Code Section 25212:

> (b) Has been either (1) convicted of or has pled nolo contendere to a felony or misdemeanor, or (2) held liable in a civil action by final judgment of a court based upon conduct showing moral turpitude, and the commissioner finds that the felony, misdemeanor, or civil action (A) involved the purchase or sale of a security, (B) arose out of the conduct of the business of a broker-dealer or investment adviser, (C) involved theft, or (D) involved the violation of Section 1341, 1342, or 1343 Title 18 of the United States Code….
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> (d) Is or has been subject to (1) any order of the Securities and Exchange Commission or the securities administrator of any other state denying registration to, or revoking or suspending the registration of, the person as a broker, dealer, agent, or investment adviser, (2) any order of any national securities association or national securities exchange (registered under the Securities Exchange Act of 1934) suspending or expelling that person from membership in the association or exchange or from association with any member thereof, or (3) any other order of the commission or any administrator, association, or exchange referred to in this subdivision which is or has been necessary for the protection of any investor….
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> (e) Has willfully violated any provision of the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Commodity Exchange Act, or Title 4 (commencing with Section

25000)…or any rule or regulation under any of those statutes, or any order of the commissioner which is or has been necessary for the protection of any investor.…"

15. Corporations Code Section 25110 reads in pertinent part as follows:

"It is unlawful for any person to offer or sell in this state any security in an issuer transaction…unless such sale has been qualified…or unless such security or transaction is exempted…."

16. Corporations Code Section 25401 reads as follows:

"It is unlawful for any person to offer or sell a security in this state or buy or offer to buy a security in this state by means of any written or oral communication which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading."

17. There are several grounds for barring Richard Simpson from engaging in any further broker-dealer or investment adviser activity: The NASD/FINRA suspension of Intra-Network Securities from broker-dealer activities in December 2002; the NASD/FINRA expulsion of Intra-Network Securities in December 2004; the FINRA suspension of Richard Simpson on December 19, 2005; the FINRA suspension of Richard Simpson on November 5, 2007; the Department of Corporations' revocation of the broker-dealer license of Intra-Network Securities on June 5, 2006; the several judgments against Richard Simpson in actions brought by investors alleging fraud and malfeasance in the offer and sale of a security; the fact that many of these judgments remain outstanding; the offer and sale of unqualified securities in willful violation of Corporations Code Section 25110; and the willful failure to disclose these suspensions, expulsion, revocation and outstanding judgments in his offer and sale of securities to his most recent victims in violation of Corporations Code Section 25401.

IV. CONCLUSION

Based upon the foregoing, the Commissioner finds that grounds exist and that it is in the public interest to bar Richard W. Simpson from any position of employment, management or control

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State of California - Department of Corporations

of any broker-dealer or investment adviser pursuant to Corporations Code sections 25213. The Commissioner hereby notifies Richard W. Simpson of its intention to make such Order final.

Dated: August 17, 2011

PRESTON DuFAUCHARD
California Corporations Commissioner

By: _____
EDWARD KELLY SHINNICK
Corporations Counsel
Enforcement Division

State of California - Department of Corporations