



STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:	)	
	)	
DOUGLAS A. RICHARDSON, CPA, LLC; and	)	
DOUGLAS A. RICHARDSON,	)	
	)	
<i>Respondents.</i>	)	Case No. AP-17-03
	)	
Serve:	)	
	)	
Douglas A. Richardson, CPA, LLC	)	
Douglas A. Richardson , Registered Agent	)	
128 East Commercial	)	
Lebanon, Missouri 65536	)	
	)	
and:	)	
	)	
Douglas A. Richardson	)	
1220 Castle Rock Avenue	)	
Lebanon, Missouri 65536	)	

**ORDER TO CEASE AND DESIST AND ORDER TO SHOW CAUSE WHY  
RESTITUTION, CIVIL PENALTIES, AND COSTS SHOULD NOT BE IMPOSED**

On March 3, 2017, the Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through the Director of Enforcement Sandra J. McDowell, submitted an Amended Petition for Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed (“Amended Petition”). After reviewing the Amended Petition, the Commissioner issues the following order:

**I. ALLEGATIONS OF FACT**

The Amended Petition alleges the following facts:

**A. Introduction**

1. On or about December 16, 2015, the Enforcement Section opened an investigation on Douglas A. Richardson, CPA, LLC (“Richardson CPA”) and Douglas A. Richardson

(“Richardson”) based on anonymous information that Richardson was receiving large sums of money from investors in the Lebanon, Missouri area and many other states throughout the nation. The investigation revealed that Richardson, among other things, served as Chief Financial Officer for Smart Prong Technologies, Inc. (“SPT”), a for-profit corporation in the state of Oklahoma. While in charge of overseeing investment funds in a SPT bank account, Richardson embezzled in excess of \$3 million dollars from September 3, 2014 to April 8, 2016 and used the funds, among other things, for payment of Richardson’s own personal debts. An attorney representing SPT sent a letter to the Enforcement Section that alleges Richardson embezzled in excess of \$4.5 million dollars and a civil suit against Richardson to recover the funds was filed on October 31, 2016, in the Laclede County, Missouri Circuit Court. The case was transferred to Greene County, Missouri Circuit Court on February 21, 2017. (see *Semitrex, LLC et al v. Douglas A. Richardson, et al, case number 1731-CC00230, change of venue on 2/21/17 from Laclede County, Missouri Circuit Court, case number 16LA-CC00096*).

### **B. Respondents and Related Parties**

2. Richardson CPA is a limited liability company formed in the State of Missouri on February 23, 2009, and its address is listed at 128 East Commercial, Lebanon, Missouri 65536. Its registered agent is Richardson. A check of the records maintained by the Missouri Commissioner of Securities (the “Commissioner”) indicates that at all times relevant, there was no registration, granted exemption, or notice filing indicating status as a “federal covered security” for any securities issued by Richardson CPA.
3. Richardson is a forty-three (43) year old Lebanon, Missouri resident with a last known address of 1220 Castle Rock Avenue, Lebanon, Missouri 65536. A check of the Central Registrations Depository (“CRD”) indicates that at all times relevant, Richardson was not registered in Missouri as a broker-dealer, investment adviser, broker-dealer agent, or investment adviser representative (“IAR”). A check of the records maintained by the Missouri Division of Professional Registration indicates that Richardson is a certified public accountant (“CPA”) with license number 018894.
4. SPT is a for-profit business corporation formed in the State of Oklahoma on May 22, 2012. Its registered agent is Michael H. Freeman, 1701 South Carson Avenue, Tulsa, Oklahoma 74119. A check of the records maintained by the Commissioner indicates that at all times relevant, there was no registration, granted exemption, or notice filing indicating status as a “federal covered security” for any securities issued by SPT.
5. Semitrex, LLC (“Semitrex”) is a limited liability company formed in the State of Oklahoma on November 1, 2012. Its registered agent is Michael Hayes Freeman, 1701 South Carson Avenue, Tulsa, Oklahoma 74119. According to information received from an attorney representing SPT, SPT is a 95% owner of Semitrex, described as an operational business that designs power supply chips and has no financial investors. A check of the records maintained by the Commissioner indicates that at all times relevant, there was no registration, granted exemption, or notice filing indicating status as a “federal covered security” for any securities issued by Semitrex.

### **C. Enforcement Section Investigation**

6. On or about December 16, 2015, the Enforcement Section opened an investigation on Richardson CPA and Richardson based on, among other things, anonymous information that Richardson was receiving investment funds from investors around the country and in the Lebanon, Missouri area.
7. On or about March 9, 2016, the Enforcement Section sent a request for information to Richardson asking for, among other things, a list of all investors in Richardson CPA, Richardson, or any entity in which Richardson was affiliated and/or associated.
8. On or about March 11, 2016, Richardson called the Enforcement Section to inquire about the request for information. Richardson advised that Richardson is associated with SPT and served as SPT's Chief Financial Officer and accountant. Richardson later sent the Enforcement Section a list of all investors in SPT and a sample Subscription Agreement used for investments in SPT. In addition, Richardson said that Richardson had solicited "friends and family" to invest in SPT.
9. The Enforcement Section reviewed the SPT investor list received from Richardson and noted several investors from the Lebanon, Missouri area, as well as investors from the states of California, Florida, Illinois, Massachusetts, Maryland, New Jersey, Oklahoma, Texas, and Virginia.
10. On or about May 13, 2016, the Enforcement Section sent a request for information to SPT asking for, among other things, the following:
  - a. a list of all investors in SPT;
  - b. an explanation concerning SPT's relationship with Richardson; and
  - c. name and address of the financial institution(s) where investors' money is deposited.
11. On or about June 15, 2016, the Enforcement Section received a response from SPT's attorney who stated, among other things, the following:
  - a. Richardson has known one of the directors of SPT for some time since Richardson served as the director's personal CPA/accountant;
  - b. Richardson served as SPT's CPA, CFO (Chief Financial Officer), and Treasurer "beginning in 2014 until his resignation in June, 2016." Richardson's duties included general accounting, general financial consulting, handling SPT bank accounts as CFO, payroll, accounts payable, tax accounting, filing tax returns, and acting as Treasurer and Cash Management Officer. Richardson was paid \$2,000 per month for Richardson's service;

- c. only Richardson and a director for SPT engaged in pre-investment conversations with potential SPT investors. The SPT attorney later told the Enforcement Section that Investment funds “were to be used for the development of a Power Supply Semiconductor Chip/Module, testing and selling that technology to the highest bidder.”;
  - d. investors in SPT were provided Subscription Agreements, which included the amount of investment for Class A-1 shares in SPT;
  - e. in addition to investments in Class A-1 shares in SPT, Richardson executed at least ten (10) collateralized loans on behalf of SPT that were personally guaranteed by the Chairman of the Board for SPT;
  - f. all investor funds were wired and/or deposited into a SPT Central Bank account ending in #2217; and
  - g. after Richardson’s resignation from all positions with SPT, “the board authorized an internal review of all accounting and cash transactions involving the company and Mr. Richardson.”
12. The SPT attorney provided the Enforcement Section copies of all executed Subscription Agreements with SPT investors. The Enforcement Section verified that the information displayed on the agreements was the same as the sample agreement Richardson provided the Enforcement Section. The executed agreements specified, among other things, the following information:
- a. the date, name, and amount of investment for “Class (Series) A-1 Shares” in SPT;
  - b. “SPT is a corporation organized and in good standing under laws of the state of Oklahoma.”; and
  - c. “Subscriber understands that the Subscription Shares herein are securities.”
13. The SPT attorney provided the Enforcement Section with a list of all SPT investors by state. The list appeared to be similar to the list Richardson provided the Enforcement Section. The list indicates that approximately seventeen (17) Missouri investors invested a total of over \$1.7 million in SPT from 2014-2016. All total, SPT raised approximately \$12 million dollars in every state, including Missouri, from 2012-2016.
14. Upon information and belief, Richardson personally solicited: seventeen (17) investors in Missouri to invest over \$1.7 million in SPT from 2014-2016; one (1) investor in Virginia to invest about \$425,000 from 2013-2016; two (2) investors in Texas to invest about \$400,000 in 2015; and one (1) investor in Florida to invest \$100,000 in July 2016.

15. Emails provided by the SPT attorney indicates that Richardson offered and/or sold SPT Subscription Agreements in and/or from Missouri by, among other things:
  - a. sending and/or receiving Subscription Agreements to and/or from investors using Richardson’s business email address [doug@douglasrichardsoncpa.com](mailto:doug@douglasrichardsoncpa.com);
  - b. sending wire instructions to investors to facilitate investors’ deposits;
  - c. verifying or confirming investor deposits with officials at SPT headquarters in Oklahoma; and
  - d. sending and/or receiving Subscription Agreements and SPT investors lists to SPT headquarters.
  
16. The Enforcement Section subpoenaed the SPT Central Bank records ending in #2217 and discovered, among other things, the following:
  - a. Richardson was the sole signatory on the account;
  - b. from September 26, 2014, to April 6, 2016, the account received \$8,894,600 in deposits from SPT investors via wires and checks;
  - c. from September 3, 2014, to February 2, 2016, Richardson wrote checks to himself that totaled \$253,500. Approximately \$36,000 of this amount may have been authorized payments for services rendered; and
  - d. from February 25, 2014, to April 8, 2016, Richardson wired a total of \$2,818,500 to other accounts Richardson controlled. The checks and wires were deposited into, among others, the following accounts:

<b>Bank Name</b>	<b>Account Name</b>	<b>Ending Account #</b>
Bank of England	Douglas A. Richardson, CPA, LLC	3677
Arvest Bank	Douglas A. Richardson, CPA, LLC	0025
Security Bank of Pulaski County	Douglas A. Richardson, CPA, LLC	9751
Bank of Sullivan	Douglas A. Richardson, CPA, LLC	9544
Peoples Bank	Douglas A. Richardson, CPA, LLC	1466

17. The Enforcement Section subpoenaed the bank records and noted that Richardson made payments to numerous people and businesses that were not listed on the SPT investor list. Richardson also received large sums of money from those same people and businesses.
  
18. On or about July 5, 2016, the Enforcement Section questioned Richardson concerning the people and businesses to whom Richardson had made payments, and Richardson advised that Richardson has many personal loans with different people.

19. Richardson further explained that Richardson’s construction business failed in or around 2008 and left Richardson \$3 million dollars in debt. Richardson said he may have paid some of those people back using funds received from other people. Richardson asked the Enforcement Section if the Enforcement Section thought Richardson “was like Bernie Madoff.”
20. On July 5, 2016, the Enforcement Section drafted a list of thirty (30) people and businesses that the Enforcement Section had reason to believe Richardson had personal loans with and was paying said loans back. The Enforcement Section emailed that list to Richardson and asked Richardson to define Richardson’s financial relationship with the people and businesses. Richardson told the Enforcement Section that Richardson would define the relationships in writing, but, to date, Richardson has not responded to this request.
21. On or about July 20, 2016, the SPT attorney told the Enforcement Section the wires from the SPT Central Bank account ending in #2217 to Richardson’s Bank of England account were not authorized. The attorney was uncertain about the other accounts.
22. On or about September 28, 2016, the Enforcement Section received a letter from an attorney in Springfield, Missouri who had been retained by SPT to initiate civil proceedings against Richardson. The attorney alleged that “[a]t this point, my client’s internal investigation indicates that Mr. Richardson has embezzled in excess of 4.5 million dollars from the two companies.”
23. On October 31, 2016, SPT filed a lawsuit against Richardson in the Laclede County, Missouri Circuit Court. The case was transferred to Greene County, Missouri Circuit Court on February 21, 2017, and is currently pending there. (see *Semitrex, LLC et al v. Douglas A. Richardson, et al*, case number 1731-CC00230, change of venue on 2/21/17 from Laclede County, Missouri Circuit Court, case number 16LA-CC00096).

## **II. COMMISSIONER’S DETERMINATIONS AND FINDINGS**

### **Multiple Violations of Engaging in an Act, Practice, or Course of Business that Would Operate as a Fraud or Deceit Upon Another Person**

24. **THE COMMISSIONER DETERMINES** that in connection with the offer, sale or purchase of a security, Respondents engaged in an act, practice, or course of business that would operate as a fraud or deceit upon another person by, among other things:
  - a. offering and/or selling investments in SPT from 2014-2016, to at least seventeen (17) investors in Missouri totaling over \$1.7 million, in addition to one (1) investor in Virginia totaling \$425,000, two (2) investors in Texas totaling \$400,000, and one (1) investor in Florida totaling \$100,000;

- b. giving subscription agreements to investors that stated among other things that the investment funds were for Class (Series) A-1 Shares in SPT and instead, using the investment funds for personal use paying back promissory notes from people who helped him during the time of his failed construction business; and
  - c. embezzling funds received from SPT investors that Respondent had no right to convert for personal use.
25. Respondents' conduct in violation of Section 409.5-501, RSMo. (Cum. Supp. 2013)<sup>1</sup> constitutes engaging in an illegal act, practice, or course of business, and such conduct is, therefore, subject to the Commissioner's authority under Section 409.6-604.
26. This order is in the public interest and is consistent with the purposes of the Missouri Securities Act of 2003. See Section 409.6-605(b).

### **III. ORDER**

**NOW, THEREFORE,** it is hereby ordered that Respondents, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order be prohibited from violating or materially aiding in any violation of:

- A. Section 409.5-501 by, in connection with the offer or sale of securities, making an untrue statement of a material fact or omitting to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading or engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

### **IV. STATEMENT**

Pursuant to Section 409.6-604, the Commissioner hereby states that he will determine whether to grant the Enforcement Section's requests for:

- A. \$10,000 in civil penalties against Respondents for more than one violation of Section 409.5-501;
- B. an order against Respondents to pay restitution for any loss, including the amount of any actual damages that may have been caused by the conduct, and interest at the rate of 8% per year from the date of the violation causing the loss or disgorge any profits arising from the violation of Section 409.5-501, in a final order, unless Respondents request a hearing and show cause why this restitution or disgorgement should not be imposed; and

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<sup>1</sup> Unless otherwise specified, all statutory references are to the 2013 cumulative supplement to the Revised Statutes of Missouri.

- C. an order against Respondents to pay the costs of the investigation in this proceeding, after a review of evidence submitted by the Enforcement Section.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,  
MISSOURI THIS 7th DAY OF March, 2017.



JOHN R. ASHCROFT  
SECRETARY OF STATE

  
\_\_\_\_\_  
DAVID MINNICK  
COMMISSIONER OF SECURITIES





STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:	)	
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DOUGLAS A. RICHARDSON, CPA, LLC; and	)	
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<i>Respondents.</i>	)	Case No. AP-17-03
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Douglas A. Richardson, CPA, LLC	)	
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128 East Commercial	)	
Lebanon, Missouri 65536	)	
	)	
and:	)	
	)	
Douglas A. Richardson	)	
1220 Castle Rock Avenue	)	
Lebanon, Missouri 65536	)	

**NOTICE**

**TO: Respondent and any unnamed representatives aggrieved by this Order:**

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo. (Cum. Supp. 2013), and 15 CSR 30-55.020. Any request for a hearing before the Commissioner must contain:

- a. a brief statement of the facts;
- b. a summary of the factual and legal issues involved;
- c. a request for relief;
- d. suggestions in support of the relief sought, including the relevant statutes;
- e. the name of the party requesting the hearing; and
- f. the name of the attorney representing the party, if any.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing, to:

**David Minnick, Commissioner of Securities**  
**Office of the Secretary of State, Missouri**  
**600 West Main Street, Room 229**  
**Jefferson City, Missouri, 65102**

CERTIFICATE OF SERVICE

I hereby certify that on this 7<sup>th</sup> day of March, 2017, a copy of the foregoing Order to Cease and Desist and Order to Show Cause Why Restitution, Civil Penalties, and Costs Should Not Be Imposed in the above styled case was **mailed by certified U.S. Mail and email to:**

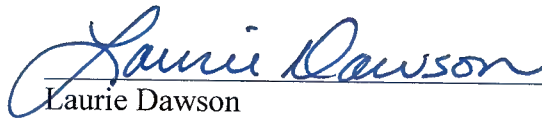
Douglas A. Richardson, CPA, LLC  
Douglas A. Richardson , Registered Agent  
128 East Commercial  
Lebanon, Missouri 65536  
[doug@douglasrichardsoncpa.com](mailto:doug@douglasrichardsoncpa.com)

and:

Douglas A. Richardson  
1220 Castle Rock Avenue  
Lebanon, Missouri 65536

**and by hand-delivery and email to:**

Sandra J. McDowell  
Director of Enforcement  
Missouri Securities Division  
[Sandra.McDowell@sos.mo.gov](mailto:Sandra.McDowell@sos.mo.gov)

  
Laurie Dawson  
Securities Office Manager