UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 78128 / June 22, 2016

INVESTMENT ADVISERS ACT OF 1940
Release No. 4433 / June 22, 2016

INVESTMENT COMPANY ACT OF 1940
Release No. 32158 / June 22, 2016

ADMINISTRATIVE PROCEEDING
File No. 3-17308

In the Matter of

SIMPSON HUGHES FINANCIAL, LLC and MARK C. SIMPSON,

Respondents.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, SECTIONS 203(e), 203(f), AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940, AND SECTION 9(b) OF THE INVESTMENT COMPANY ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND CEASE-AND-DESIST ORDERS

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act"), and Section 9(b) of the Investment Company Act of 1940 ("Investment Company Act") against Simpson Hughes Financial, LLC ("Simpson Hughes") and Mark C. Simpson (collectively with Simpson Hughes, "Respondents").

II.

In anticipation of the institution of these proceedings, Respondents have submitted a joint Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over them and the subject matter of this proceeding, which is admitted, and except as provided herein in Section V, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 21C of the Securities Exchange Act of 1934, Sections 203(e), 203(f), and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and Cease-and-Desist Orders ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offer, the Commission finds that:

SUMMARY

1. From approximately July 2010 through January 2011 (the "Relevant Period"), Respondents engaged in fraudulent trade allocation – "cherry-picking." Respondents disproportionately allocated profitable trades to proprietary accounts and unprofitable trades to client accounts. Respondents purchased securities for both proprietary and client accounts through an omnibus trading account, but delayed allocation until later in the day after they had determined whether the securities had appreciated. Respondents then allocated profitable trades to proprietary and two favored client accounts (the "favored accounts") and unprofitable trades to disfavored client accounts (the "disfavored accounts"). As a result of the scheme, Respondents realized $130,450 in ill-gotten gains.

2. By virtue of his conduct, Respondents willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Sections 206(1) and 206(2) of the Advisers Act.

RESPONDENTS

3. **Simpson Hughes Financial, LLC**, is an Idaho limited liability company with its principal place of business in Caldwell, Idaho. It was registered as an investment adviser with the State of Idaho from June 7, 2010 until December 31, 2014. Mark C. Simpson is the sole owner and control person of Simpson Hughes. During the Relevant Period, the Firm had approximately $5 million in assets under management.

4. **Mark C. Simpson**, age 62, resides in Caldwell, Idaho. Simpson was registered as an investment adviser representative from 2006 until October 2009 and has been associated with Simpson Hughes since November 2009.

FACTS

5. Respondents were investment advisers and had discretionary authority over client accounts. Respondents generally traded the same securities for proprietary and client accounts. During the Relevant Period, Respondents purchased blocks of securities in the Simpson Hughes' omnibus account at a brokerage firm that had custody of both proprietary and client accounts. Respondents typically did not allocate securities purchased until after they had an opportunity to observe the securities' intra-day performance. All of Respondents' allocations were made manually by Simpson.

6. Respondents allocated a greater proportion of profitable trades, i.e., trades which had a positive first-day return, to favored accounts and a greater proportion of unprofitable trades, i.e., trades which had a negative first-day return, to disfavored accounts.

7. The difference between the allocations of profitable trades and unprofitable trades is statistically significant; the probability of observing such an uneven allocation of gains and losses by chance is less than one-in-one-million.

8. This disproportionate allocation of winning and losing trades led to the favored accounts earning a return that was statistically significantly greater than the return earned by the disfavored accounts.

9. During the Relevant Period, Respondents' proprietary accounts averaged a first-day gain of 0.12% while client accounts averaged a first-day loss of 0.25%.

10. As a result of the cherry-picking strategy, Respondents obtained ill-gotten gains of $130,450.

VIOLATIONS

11. As a result of the conduct above, Respondents willfully violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in connection with the purchase or sale of securities, by knowingly or recklessly allocating profitable trades to proprietary accounts at the expense of advisory clients.

12. As a result of the conduct above, Respondents willfully violated Sections 206(1) and 206(2) of the Advisers Act, which prohibit investment advisers from defrauding their advisory clients. Specifically, Section 206(1) of the Advisers Act prohibits any investment adviser from employing any device, scheme, or artifice to defraud any client or prospective client, and Section 206(2) of the Advisers Act prohibits any investment adviser from engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon any client or prospective client.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offer.

Accordingly, pursuant to Section 21C of the Exchange Act, Sections 203(e), 203(f), and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondents cease and desist from committing or causing any violations and any future violations of Section 10(b) of the Exchange Act and Rule 10b-5 thereunder and Sections 206(1) and 206(2) of the Advisers Act.

B. Simpson Hughes is censured.

C. Simpson be, and hereby is:

barred from association with any investment adviser, broker, dealer, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization; and

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

D. Any reapplication for association by Simpson will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

E. Respondents shall, jointly and severally, pay disgorgement of $130,450, prejudgment interest of $6,669.18, and a civil penalty of $150,000, to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 or pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

(1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order will be credited upon receipt by the Commission and must be accompanied by a cover letter identifying Simpson Hughes Financial, LLC and Mark C. Simpson as the Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Anthony S. Kelly, Co-Chief, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5010.

F. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in these proceedings and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in these proceedings. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in these proceedings.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent Mark C. Simpson, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Mark C. Simpson under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with these proceedings, is a debt for the violation by Respondent Mark C. Simpson of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Brent J. Fields
Secretary