

1 STATE OF WASHINGTON  
2 DEPARTMENT OF FINANCIAL INSTITUTIONS  
3 SECURITIES DIVISION

4 IN THE MATTER OF DETERMINING  
5 Whether there has been a violation of the  
6 Securities Act of Washington by:

7 Iris Data Communications  
8 Corporation; David Kilpatrick;

9 Respondents

Order Number S-09-280-09-SC01

STATEMENT OF CHARGES AND NOTICE  
OF INTENT TO ENTER ORDER TO CEASE  
AND DESIST, IMPOSE FINES, AND  
CHARGE COSTS

10 THE STATE OF WASHINGTON TO:

Iris Data Communications Corporation  
David Kilpatrick

11 **STATEMENT OF CHARGES**

12 Please take notice that the Securities Administrator of the State of Washington has reason  
13 to believe that Respondents, Iris Data Communications Corporation and David Kilpatrick, have  
14 each violated the Securities Act of Washington and that their violations justify the entry of an  
15 order of the Securities Administrator under RCW 21.20.390(1) against each to cease and desist  
16 from such violations, imposing fines pursuant to RCW 21.20.395, and charging costs pursuant to  
17 RCW 21.20.390(5). The Securities Administrator finds as follows:

18 **TENTATIVE FINDINGS OF FACT**

19 Respondents

20  
21 1. Iris Data Communications Corporation (“Iris Data”) is a Washington Corporation  
22 incorporated on October 11, 2005. Iris Data’s principal place of business was located at 910 NE  
23 Minnehaha Street, Suite 3 in Vancouver, Washington. Iris Data dissolved on or about August  
24 19, 2009.  
25

STATEMENT OF CHARGES AND NOTICE OF  
INTENT TO ENTER ORDER TO CEASE AND DESIST,  
IMPOSE FINES, AND CHARGE COSTS

1

DEPARTMENT OF FINANCIAL INSTITUTIONS  
Securities Division  
PO Box 9033  
Olympia, WA 98507-9033  
360-902-8760



Misrepresentations and Omissions

1  
2           7.       Respondents failed to provide investors with material information about the  
3 investment opportunity described above, including but not limited to: financial statements,  
4 specific use of proceeds, general and specific risks of investing in VoIP services, and the  
5 business background and experience of David Kilpatrick.

6           8.       When offering and selling Iris Data stock, Iris Data and Kilpatrick failed to  
7 disclose that Kilpatrick had filed for Chapter 7 bankruptcy in 2004 in which he was discharged.  
8

9           9.       Kilpatrick told potential investors that if the company sold 1 billion minutes per  
10 month at \$.005 profit per minute, Iris Data would have \$5 million in profits per month.  
11 Kilpatrick said that 50% of profits would be returned to investors as a dividend. Iris Data and  
12 Kilpatrick failed to provide any reasonable basis for the financial projections and any limitations  
13 on those projections.

14           10.      Iris Data and Kilpatrick failed to disclose that the price for Iris Data shares varied  
15 although there was no market for the shares. Iris Data and Kilpatrick sold some stock at  
16 \$200/share, some investors may have paid \$10/share, and still others received shares in exchange  
17 for services.

18           11.      Kilpatrick failed to disclose that he would have access to Iris Data funds to pay  
19 personal expenses and could take \$3,000 per month from Iris Data for personal expenses.  
20

21           12.      Iris Data failed to disclose that it did not have its president, Kilpatrick, sign a  
22 covenant not to compete with the company. Kilpatrick formed White Line, which offers the  
23 same services as Iris Data, two months after he said he was fired. Soon after its creation White  
24 Line assumed Iris Data's accounts.  
25

1 Registration Status

2 13. Iris Data Communications Corporation is not currently registered to sell its  
3 securities in the state of Washington and has not previously been so registered.

4 14. Respondent David Kilpatrick is not currently registered as a securities salesperson  
5 or broker-dealer in the state of Washington and has not previously been so registered.

6 Based upon the Tentative Findings of Fact, the following Conclusions of Law are made:  
7

8 **CONCLUSIONS OF LAW**

9 1. The offer or sale of Iris Data stock described above constitutes the offer or sale of  
10 a security as defined in RCW 21.20.005(10) and (12).

11 2. The offer and sale of said securities is in violation of RCW 21.20.140 because no  
12 registration for such offer or sale is on file with the Securities Administrator.

13 3. Respondent David Kilpatrick violated RCW 21.20.040 by offering or selling said  
14 securities while not registered as a securities salesperson or broker-dealer in the state of  
15 Washington.

16 4. The offer or sale of Iris Data Communications Corporation stock was made in  
17 violation of RCW 21.20.010 because, as set forth in the Tentative Findings of Fact, Respondents  
18 made misstatements of material fact or omitted to state material facts necessary in order to make  
19 the statements made, in light of the circumstances under which they were made, not misleading.  
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21 **NOTICE OF INTENT TO ORDER THE RESPONDENT TO CEASE AND DESIST**

22 Pursuant to RCW 21.20.390(1), and based on the above Tentative Findings of Fact and  
23 Conclusions of Law, the Securities Administrator intends to order that Respondents, Iris Data  
24 Communications Corporation and David Kilpatrick; their agents and employees, each cease and  
25 desist from violations of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140.



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Approved by:



Suzanne Sarason  
Chief of Enforcement

Presented by:



Jack McClellan  
Enforcement Attorney