

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 76058 / September 30, 2015

INVESTMENT ADVISERS ACT OF 1940
Release No. 4212 / September 30, 2015

INVESTMENT COMPANY ACT OF 1940
Release No. 31854 / September 30, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16877

In the Matter of

HOWARD RICHARDS

Respondent.

ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, SECTIONS 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 A CEASE-AND-DESIST ORDER

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 Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 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 Howard Richards (“Respondent” or “Richards”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an 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 him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Administrative and Cease-And-Desist Proceedings, Pursuant to Sections 15(b)

and 21C of the Exchange Act, Sections 203(f) and 203(k) of the Investment Advisers Act, and Section 9(b) of the Investment Company Act, Making Findings, and Imposing Remedial Sanctions and a Cease-And-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds¹ that:

Summary

From January 2010 through July 2013, Richards, an investment advisory representative associated with Securus Wealth Management, LLC (“Securus”), engaged in a manipulative scheme to support the market price of the common stock of Gatekeeper USA, Inc. (“Gatekeeper”), which he thought would help Gatekeeper to obtain financing. Gatekeeper was a start-up company seeking private financing to sell and market a container monitoring device that had never been manufactured or sold. Its stock was thinly-traded on the over-the-counter grey market under the symbol GTKP. Richards learned from Gatekeeper’s vice-president of finance that significant financing deals were dependent upon sustaining a sufficient market price for Gatekeeper’s stock. Richards manipulated the price of Gatekeeper stock by causing his clients’ accounts to purchase shares at higher prices when its price fell below a certain level. Richards caused his clients to invest over \$1 million in shares of Gatekeeper stock during this period.

In furtherance of the scheme, Richards frequently marked the close by executing the last transaction in Gatekeeper stock on the days he traded. To affect the supply of Gatekeeper stock into the market and prevent downward pressure on the price, Richards convinced clients and other shareholders to not sell Gatekeeper stock and, when he could not prevent sales by clients, he placed orders simultaneously for other clients to buy Gatekeeper stock.

In breach of his fiduciary duty as an investment adviser, Richards also failed to disclose to clients significant conflicts of interest arising from his ownership of Gatekeeper shares, personal loans to Gatekeeper’s officers, payment of Gatekeeper expenses, and his editing and providing content for Gatekeeper’s shareholder communications, before he bought shares of Gatekeeper for them.

Respondent

1. Howard Richards, age 64, is a resident of Mound, Minnesota. He was an advisory representative associated with Securus from January 2001 through June 2015, and was also a registered representative associated with registered broker-dealers during the same period. At all relevant times, Richards held the following FINRA licenses: General Securities Representative

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

(Series 7), Futures Managed Funds (Series 31), Uniform Securities Agent State Law (Series 63) and Uniform Investment Adviser State Law (Series 65).

Other Relevant Entities

2. Securus Asset Management, LLC is a Minnesota limited liability company with its principal place of business in Plymouth, Minnesota. It has been registered with the Commission as an investment adviser since January 2006.

3. Gatekeeper USA, Inc. is a Nevada corporation, located in Lexington Park, Maryland. It is a start-up business with no revenue and holds a license to market and sell a container security monitoring device. Gatekeeper's stock is a penny stock that trades on the over-the-counter grey market and is not registered with the Commission.

Facts

Richards made early investments in Gatekeeper

4. Gatekeeper was formed as a result of a reverse merger with a grey market, non-reporting company on November 28, 2007. Around that time, Gatekeeper also acquired a license from a private company to market and sell a product called the Container Automated Monitoring System ("CAMS"), a container security monitoring device for cargo in the shipping industry. The CAMS device was a prototype and was never sold to anyone. Gatekeeper was a start-up company with no revenue. The purpose of its business was to market and sell the CAMS device.

5. From 2008 through 2009, Richards bought for himself approximately 113,000 shares of Gatekeeper for a total of approximately \$200,000 in the over-the-counter grey market, and also bought Gatekeeper shares privately. During the same period, Richards purchased for his clients approximately 473,000 shares of Gatekeeper for a total of approximately \$900,000. Richards and his clients thus became significant shareholders of Gatekeeper.

Richards knew that Gatekeeper was pursuing significant financing

6. From January 2010 through July 2013, Gatekeeper sought \$10 to \$20 million in financing through investment bankers to develop, manufacture and sell the CAMS device. Gatekeeper, however, ultimately was not successful and did not receive any financing. During this period, Richards communicated by email and phone with Gatekeeper's vice president of finance about the status of the financing efforts.

7. During the same period, Richards was aware that Gatekeeper's ability to obtain substantial financing was dependent upon sustaining a sufficient market price for its stock. First, Richards learned that Gatekeeper engaged an investment banking firm to conduct a \$20 million PIPE offering to institutional investors and that the price of the offering was to be discounted off of the market price of Gatekeeper. Richards subsequently became aware that Gatekeeper was seeking to obtain \$16 million in financing in exchange for debentures that were convertible to

free-trading shares of Gatekeeper from two other investment banking companies. Lastly, Richards was informed that \$10 million in anticipated loans from an insurance company were to be collateralized by Gatekeeper stock.

Richards engaged in a manipulative scheme

8. From January 2010 through July 2013 (“the relevant period”), Richards engaged in a manipulative scheme in which he used his clients’ accounts to support the market price of Gatekeeper. Richards bought Gatekeeper shares in client accounts on a discretionary basis in order to prevent the price of Gatekeeper’s stock from declining when he observed sales pressure in the market, and to increase the price. Richards caused 97 of his advisory clients to pay a total of approximately \$1.1 million for approximately 550,000 Gatekeeper shares during this period. Richards planned to personally profit and generate gains for his clients by selling Gatekeeper shares after Gatekeeper obtained sufficient financing to execute its business plans for the CAMS device.

9. During the relevant period, Richards frequently marked the close and executed the last transaction in Gatekeeper stock on the days that he traded. “Marking the close” involves placing orders at or near the close of market trading to artificially affect the closing price of a security.

10. During the relevant period, Richards also prevented sales of Gatekeeper shares that could place downward pressure on the market price. He determined the sources of selling pressure by tracking who held the public float in a spreadsheet he created from transfer agent records and by communicating with shareholders by phone and email. Richards repeatedly asked clients and other shareholders to not sell any Gatekeeper stock.

11. During the relevant period, when Richards could not prevent sales of Gatekeeper stock by his clients, he placed simultaneous orders for other clients to buy the same or a greater amount of shares when he placed the sale orders. Richards did this to prevent a decline in the market price of Gatekeeper stock.

12. During the relevant period, Richards often transmitted positive information about the status of Gatekeeper’s financing to a non-client investor (“Investor A”) and encouraged Investor A to buy Gatekeeper shares in the market during particular time periods. Investor A paid approximately \$188,000 for 56,000 shares of Gatekeeper stock during this period.

Richards was aware that his buying dominated the market for Gatekeeper stock

13. During the relevant period, Richards was aware that his buying of Gatekeeper stock on behalf of his advisory clients dominated the thinly-traded market for Gatekeeper. Gatekeeper’s stock had an average daily trading volume of approximately 1,500 shares during this period. Richards followed the volume and price of Gatekeeper stock daily. Richards’ clients and Investor A were the only consistent buyers of Gatekeeper stock in the market.

14. In May 2012, Richards ghostwrote an email purportedly from Investor A to the president of Gatekeeper, stating that Richards and Investor A were “probably responsible for over 90% of the buy side trades in the stock since 2009,” and that they were “growing weary of the endless parade of excuses for a lack of progress on funding.”

Richards frequently sent contemporaneous emails describing his conduct

15. During the relevant period, Richards sent numerous emails from his email account at Securus to Gatekeeper’s vice president of finance in which he described how his trading in his clients’ accounts, along with the trading of Investor A, increased the reported closing price of Gatekeeper. Richards also discussed his efforts to prevent clients from selling Gatekeeper stock, and his practice of placing simultaneous client buy orders along with client sales orders in these emails.

Richards’ conduct increased the market price for Gatekeeper stock

16. During the relevant period, Richards’ clients’ trading in Gatekeeper accounted for at least 38% of Gatekeeper’s market volume, and at least 42% together with Investor A.

17. During the relevant period, Richards’ clients and Investor A paid a median of \$.35 per share higher than the preceding price paid for Gatekeeper stock by other traders. At times, Richards’ clients paid up to 100% more for their shares of Gatekeeper stock than the immediately preceding traders paid. Richards documented the volume and amounts paid for shares of Gatekeeper stock on behalf of his clients in frequent emails to Gatekeeper’s vice president of finance.

18. During the relevant period, the prices paid by Richards’ clients and Investor A were frequently reported as the closing price for Gatekeeper stock. Trades of Richards’ clients and Investor A were the last trades reported to the market on 197 days, or 85%, of the 233 days they traded. On at least 50 days, trades of Richards’ clients marked the close within the last 15 minutes of the trading day.

19. Richards stopped trading Gatekeeper stock in his clients’ accounts on July 26, 2013 after his supervisor, James Goodland, the president and then-CCO of Securus, instructed Richards not to buy any more Gatekeeper shares without his prior approval. After Richards stopped buying Gatekeeper stock for his clients, its price fell from \$.80 per share to a range of \$.15 to \$.45 per share by early October 2013.

Richards made material misrepresentations and omissions to clients about the market for Gatekeeper stock

20. During the relevant period, Richards made material misrepresentations to clients about the market for Gatekeeper stock. In a January 2011 letter that he mailed to clients explaining why Gatekeeper’s stock price had fallen to \$1 “after it had been around \$3 for months,” Richards stated that Gatekeeper stock traded in low volumes on the Pink Sheets

(though it actually traded on the riskier grey market), that the over-the-counter market was a “target” for “stock manipulators” and that “in spite of orders to buy and sell at the market” a naked short seller “bypassed the normal order flow and forced an artificial close.”

21. Richards misleadingly suggested that there was true market demand for Gatekeeper stock at a higher price, while he failed to disclose to his advisory clients that his buying in their accounts dominated the market for Gatekeeper stock. Richards also omitted to disclose his own manipulative trading that increased the reported share price. Richards’ later correspondence with his clients continued to omit to disclose that his trading in their accounts was supporting the market price for Gatekeeper’s stock.

Richards failed to disclose his significant conflicts of interest to clients

22. Between 2008 and 2009, Richards paid approximately \$200,000 for 113,000 shares of Gatekeeper stock and bought additional shares privately.

23. During the relevant period, Richards also loaned approximately \$141,000 to Gatekeeper’s officers and the developer of the CAMS device. Richards also paid at least \$57,000 towards Gatekeeper’s expenses and insurance premiums, and edited and provided content for Gatekeeper’s communications with shareholders. Among other things, Richards edited and provided content for a Gatekeeper newsletter that he sent to his clients in June 2012.

24. Although Richards orally disclosed his ownership interest to some clients before purchasing Gatekeeper shares on their behalf, he did not disclose his personal holdings of Gatekeeper stock to other clients until August 2010 when Richards sent a letter to clients who owned shares of Gatekeeper stock and disclosed his personal shares of Gatekeeper.

25. In addition, Richards did not disclose to his clients the significant amounts of money that he loaned Gatekeeper’s officers and the developer of the CAMS device, his payment of Gatekeeper’s expenses, and his role in editing and providing content for Gatekeeper’s shareholder communications.

Violations

26. As a result of the conduct described above, Richards 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.

27. As a result of the conduct described above, Richards willfully aided and abetted and caused Securus’ violations of Sections 206(1) and 206(2) of the Advisers Act, which prohibit fraudulent conduct by an investment adviser.

IV.

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

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, Sections 203(f) and 203(k) of the Advisers Act and Section 9(b) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Richards 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. Respondent Richards be, and hereby is:

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

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; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

C. Any reapplication for association by the Respondent 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.

D. Respondent shall pay disgorgement of \$62,000, prejudgment interest of \$7,000, and civil penalties of \$75,000, to the Securities and Exchange Commission. Payment shall be made in the following installments: \$69,000 shall be paid within 14 days of the entry of this order, \$40,000 shall be paid within 180 days of the entry of this order, and \$35,000 shall be paid within 364 days of the entry of this order. If any payment is not made by the date the payment is required by this

Order, the entire outstanding balance of disgorgement, prejudgment interest, and civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 or pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent 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) Respondent 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 must be accompanied by a cover letter identifying Richards as a Respondent 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 Anne C. McKinley, Assistant Regional Director, Division of Enforcement, Securities and Exchange Commission, 175 W. Jackson, Suite 900, Chicago, IL, 60604.

E. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the disgorgement, interest and civil penalties referenced in paragraph D above. Regardless of whether any such Fair Fund distribution is made, 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, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action 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 this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent 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 this proceeding.

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, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent 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