

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  
6 of the Securities Act of Washington by:

7 William Spencer Howard III;  
8 Raymond Francis Purdon,

9 Respondents.

Order Number S-09-154-10-SC01

STATEMENT OF CHARGES AND  
NOTICE OF INTENT TO ENTER ORDER  
TO CEASE AND DESIST, DENY FUTURE  
REGISTRATIONS, IMPOSE FINES, AND  
RECOVER COSTS

10 THE STATE OF WASHINGTON TO:

William Spencer Howard III (CRD # 840681)  
Raymond Francis Purdon (CRD # 2141272)

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13 **STATEMENT OF CHARGES**

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15 Please take notice that the Securities Administrator of the State of Washington has reason to  
16 believe that Respondents William Spencer Howard III and Raymond Francis Purdon have each violated  
17 the Securities Act of Washington and have engaged in dishonest or unethical practices in the securities  
18 business. The Securities Administrator believes this justifies the entry of an order against each to cease  
19 and desist from such violations pursuant to RCW 21.20.390, to deny future securities registration  
20 applications pursuant to RCW 21.20.110(1), and to impose fines and recover costs.

1 **TENTATIVE FINDINGS OF FACT**

2 Respondents

3 1. William Spencer Howard (“Howard”) is an individual residing in Red Bank, New Jersey.  
4 Since February 2011, Howard has been employed as a securities salesperson at Allied Beacon Partners,  
5 Inc. Previously, Howard was employed by other broker-dealers including Hibbard Brown & Co., Inc.  
6 from May 1988 to August 1994, Westfield Financial Corporation from August 1994 to November  
7 1994, L.C. Wegard & Co., Inc. from November 1994 to December 1995, Sands Brothers & Co., Ltd.  
8 from January 1996 to May 1999, Werbel-Roth Securities, Inc. from May 1999 to March 2002, Network  
9 1 Financial Securities, Inc. (“Network 1 Financial Securities”) from March 2002 to June 2005,  
10 GunnAllen Financial, Inc. (“GunnAllen Financial”) from June 2005 to February 2009, Andrews  
11 Securities, LLC from March 2009 to October 2009, and American Beacon Partners, Inc. from  
12 November 2009 to February 2011. Howard was registered with the Washington Securities Division as  
13 a securities salesperson while employed at Sands Brothers & Co., Ltd., Werbel-Roth Securities, Inc.,  
14 Network 1 Financial Securities, GunnAllen Financial, and Andrews Securities, LLC. He is not  
15 currently registered with the Washington Securities Division in any capacity. Howard has a Central  
16 Registration Depository (“CRD”) number of 840681.

17 2. Raymond Francis Purdon (“Purdon”) is an individual residing in Little Silver, New  
18 Jersey. He was employed as a securities salesperson at GunnAllen Financial from July 2003 to  
19 November 2006. Previously, Purdon was employed by other broker-dealers including Hibbard Brown  
20 & Co., Inc. from April 1991 to August 1994, H.J. Meyers & Co., Inc. from August 1994 to September  
21 1995, Josephthal & Co., Inc. from September 1995 to January 1998, and Crown Financial Group, Inc.

1 from January 1998 to July 2003. Purdon was registered with the Washington Securities Division as a  
2 securities salesperson while employed at Hibbard Brown & Co., Inc. and H.J. Meyers & Co., Inc. He  
3 is not currently registered with the Washington Securities Division in any capacity. Purdon has a CRD  
4 number of 2141272.

5 Nature of the Conduct

6 *Introduction*

7 3. In 2003, a Washington resident was referred to Respondent Howard by a business  
8 acquaintance. The resident established an account with Respondent Howard, who at the time was  
9 employed with Network 1 Financial Securities in New Jersey. The resident continued as a customer of  
10 Respondent Howard after Respondent Howard transferred to GunnAllen Financial in New Jersey. The  
11 resident maintained a non-discretionary account with Respondent Howard at GunnAllen Financial  
12 from approximately June 2005 until January 2009. In approximately 2006, the resident communicated  
13 to Respondent Howard that he was looking for liquid, short-term investments for certain funds. He  
14 was planning to use at least some of the funds for a development project in the upcoming months.  
15 Respondent Howard and/or his colleague Respondent Purdon solicited the resident to invest the funds  
16 in two stock investments, as discussed below.

17 *Investment in ViaNet Direct, Inc.*

18 4. In approximately January 2006, Respondent Howard recommended that the resident  
19 invest in ViaNet Direct, Inc. ("ViaNet"), a private placement offering. Respondent Howard  
20 represented that this company was engaged in the business of offering an electronic trading platform  
21 for institutional and financial entities, and that he was close to the principals of ViaNet. Respondent  
22

1 Howard told the resident that this investment was liquid and would yield a good financial return in the  
2 short-term.

3 5. In January 2006, the resident purchased \$25,000 worth of ViaNet common stock. He was  
4 not told any risks of the investment, nor was he given a prospectus or other disclosure document. He  
5 paid via a check, which was sent to Respondent Howard.

6 6. Respondents Howard and Purdon began calling the resident together via telephone to  
7 solicit additional investments in ViaNet. At the time, Respondent Purdon was employed by GunnAllen  
8 Financial and located at the same office as Respondent Howard. Respondent Purdon represented to the  
9 resident that he too was close to the principals of ViaNet.

10 7. From March through June 2006, the resident purchased an additional \$175,000 worth of  
11 ViaNet common stock. As before, he was not told any risks of the investment, nor was he given a  
12 prospectus or other disclosure document. He paid via two personal checks, one which was sent to  
13 Respondent Howard and one which was sent to Respondent Purdon. The resident completed the  
14 signature page of a subscription agreement, which he sent to Respondent Howard. Subsequently, he  
15 received a copy of the executed subscription agreement and a letter confirming his investment from the  
16 CEO and Chairman of ViaNet. The resident never received a stock certificate to evidence his  
17 investment.

18 8. The resident's investments in ViaNet were not recorded on the books and records of  
19 GunnAllen Financial. Respondents Howard and Purdon did not obtain written authorization from  
20 GunnAllen Financial prior to effecting securities transactions not recorded on the firm's books and  
21 records.

*Investment in Knewtrino, Inc.*

1  
2 9. In the summer of 2006, Respondent Howard recommended that the resident invest in  
3 Knewtrino, Inc. (“Knewtrino”), a penny stock traded on the OTC Bulletin Board. Respondent Howard  
4 represented that this company offered cutting-edge mobile instant messaging and information delivery  
5 services. Respondent Howard represented to the resident that this investment would yield a 4 or 5 to 1  
6 financial return in the short-term. The resident was not told any risks of the investment.

7 10. Based on the recommendation, the resident decided to invest in Knewtrino. From June  
8 through October 2006, the resident made several investments in Knewtrino, resulting in a total  
9 investment of \$243,504.81. All of the trade confirmations for the sales of Knewtrino to the resident are  
10 marked as “unsolicited order.”

11 11. When making the first investment in Knewtrino, upon Respondent Howard’s request, the  
12 resident signed an “Unsolicited Trade Letter.” The resident did not complete or sign Unsolicited Trade  
13 Letters for his subsequent investments in Knewtrino. However, GunnAllen Financial records show  
14 that Unsolicited Trade Letters were submitted for each additional investment the resident made in  
15 Knewtrino. It is believed that Respondent Howard completed these forms, including forging the  
16 resident’s signature on the forms.

17 12. For each investment in Knewtrino, GunnAllen Financial required that a “Client Risk  
18 Disclosure Form” be completed. The resident did not complete or sign any Client Risk Disclosure  
19 Forms when investing in Knewtrino. However, GunnAllen Financial records show that Client Risk  
20 Disclosure Forms were submitted for each investment the resident made in Knewtrino. It is believed  
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1 that Respondent Howard completed these forms, including forging the resident's signature on the  
2 forms.

3 *Respondent Howard's Offer to Return Funds*

4 13. In approximately June 2007, Respondent Howard told the resident that Knewtrino had  
5 turned out to be a bad investment, and represented that he would arrange to have his investment funds  
6 returned to him in full. Similarly, in approximately March 2008, Respondent Howard told the resident  
7 that ViaNet had also turned out to be a bad investment, and represented that he would arrange to have  
8 his investment funds returned to him in full.

9 14. Contrary to the representations made to him, the resident has not had any of his  
10 investment funds returned to him. When the resident needed the investment funds for his development  
11 project, he was not able to sell his ViaNet shares and his Knewtrino shares were nearly worthless at the  
12 time. The resident had to obtain a loan in order to proceed with his development project.

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14 Misrepresentations and Omissions

15 15. Respondent Howard misrepresented ViaNet as a liquid investment.

16 16. Respondents Howard and Purdon failed to provide material information regarding the  
17 ViaNet investment, including, but not limited to: the general and specific risks involved, financial  
18 statements, any litigation involving the company, a full representation of the company history, and  
19 prior performance information.  
20

1 17. Respondents Howard and Purdon failed to disclose to the resident that the ViaNet  
2 investment was not recorded on the books and records of GunnAllen Financial, nor was it authorized  
3 by the firm.

4 18. Respondent Howard failed to disclose the risks of investing in Knewtrino, and failed to  
5 provide a reasonable basis for the profit projections and limitations on the profit projections.

6 Registration Status

7 19. Raymond Francis Purdon is not currently registered as a securities salesperson or broker-  
8 dealer in the State of Washington and was not registered during the relevant period.

9 20. William Spencer Howard III is not currently registered as a securities salesperson or  
10 broker-dealer in the State of Washington. He was registered as a securities salesperson with the State  
11 of Washington during the relevant period.

12 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

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14 **CONCLUSIONS OF LAW**

15 1. The transactions effected in stock, as described above, constitute transactions effected in  
16 securities as defined in RCW 21.20.005(12).

17 2. The offer and/or sale of said securities were made in violation of RCW 21.20.010  
18 because, as described above, Respondents William Spencer Howard III and Raymond Francis Purdon  
19 made misrepresentations of material facts and/or omitted to state material facts necessary in order to  
20 make the statements made, in light of the circumstances in which they were made, not misleading.







1 pay the costs, fees, and other expenses incurred in the conduct of the investigation of this matter in an  
2 amount not less than \$1,000.

3 **AUTHORITY AND PROCEDURE**

4 This Statement of Charges is entered pursuant to the provisions of RCW 21.20.390 and RCW  
5 21.20.395, and is subject to the provisions of RCW 34.05. The Respondents may make a written request  
6 for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY  
7 FOR HEARING accompanying this Statement of Charges.

8 If a Respondent does not request a hearing, the Securities Administrator intends to adopt the above  
9 Tentative Findings of Fact and Conclusions of Law as final, and as described above, enter an order  
10 denying the Respondent's future securities registration applications, and imposing the fines and costs  
11 sought.

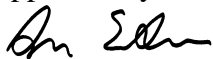
12 DATED AND ENTERED this 1st day of March, 2011.

13 By:

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16 \_\_\_\_\_  
17 William M. Beatty  
18 Securities Administrator

19 Approved by:

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21 \_\_\_\_\_  
22 Suzanne Sarason  
23 Chief of Enforcement

Presented by:

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\_\_\_\_\_  
Bridgett Fisher  
Enforcement Attorney