

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 60837 / October 19, 2009

INVESTMENT ADVISERS RELEASE ACT
Release No. 2938 / October 19, 2009

ADMINISTRATIVE PROCEEDING
File No. 3-13655

In the Matter of

THEODORE W. URBAN

Respondent.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Theodore W. Urban (“Urban” or “Respondent”).

II.

After an investigation, the Division of Enforcement alleges that:

Respondent

1. Urban, age 58, resides in Silver Spring, Maryland. Urban holds series 4, 7, 14, 24, 31, 53, and 63 licenses. During the relevant time period, Urban was the General Counsel of Ferris Baker Watts, Inc. (“Ferris”), and a member of Ferris’ Board of Directors and Credit Committee. Urban also supervised Ferris’ Compliance Department. Urban formerly worked on the Commission staff, and from 1978 to 1979 he was an Assistant Director in what was then the Division of Market Regulation.

Other Relevant Entities and Individuals

2. At all times relevant, Ferris was a Delaware corporation headquartered in Washington, D.C. that was both a registered broker-dealer and a registered investment adviser. Ferris has over 600 employees, including over 250 registered representatives working in over forty branch offices in eight states and the District of Columbia. On February 10, 2009, the Commission issued an order finding that Ferris failed reasonably to supervise registered representative Stephen Glantz (“Glantz”) with a view to detecting and preventing Glantz’s violations of Section 17(a) of the Securities Act of 1933 (“Securities Act”) and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and that Ferris willfully violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder by failing to file Suspicious Activity Reports (“SARs”) regarding Glantz’s misconduct.

3. Glantz, age 55, was formerly a resident of Chagrin Falls, Ohio. He was a registered representative associated with various broker-dealers from 1997 through 2005. During the period January 2003 through November 2005, Glantz was associated with Ferris. On September 4, 2007, Glantz pled guilty to one count of securities fraud and one count of making false statements to law enforcement officials. On December 14, 2007, Glantz was sentenced to 33 months in prison and ordered to pay \$110,000 in restitution. On February 10, 2009, the Commission issued an order barring Glantz from association with any broker, dealer, or investment adviser.

4. Louis Akers (“Akers”), age 57, resides in Reisterstown, Maryland. He was a registered representative associated with certain broker-dealers from 1985 to 2007. From October 1998 until December 2001, Akers was associated with Ferris Baker Watts, Inc. (“Ferris”) as the firm’s Chief Executive Officer. During the period January 2003 through November 2005, Akers was associated with Ferris as the firm’s Vice Chairman, a member of Ferris’ Board of Directors, and Ferris’ Private Client Group Director.

5. Patrick J. Vaughan (“Vaughan”), age 54, resides in Cockeysville, Maryland. He was a registered representative associated with various broker-dealers from 1983 through the present. During the period January 2003 through November 2005, Vaughan was associated with Ferris as the firm’s Director of Retail Sales. In that position, he reported directly to Akers. On February 10, 2009, the Commission issued an order finding that Vaughan failed reasonably to supervise Glantz with a view to detecting and preventing Glantz’s violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

6. IPOF Fund (“IPOF”) is an Ohio limited partnership, not registered with the Commission in any capacity. IPOF was formed by David A. Dadante (“Dadante”) in 1999. Dadante operated IPOF as an investment company and solicited funds from investors purportedly to purchase stock in initial public offerings. Dadante caused IPOF to raise \$50 million from at least 100 investors in unregistered securities offerings and used some of the proceeds to fund his lavish lifestyle and to make Ponzi scheme-type payments. Dadante deposited the remaining investor funds into brokerage accounts that he controlled in the names of IPOF and other entities at several broker-dealers, including Ferris. Glantz served as the registered representative for the Ferris accounts controlled by Dadante. On April 20, 2007 IPOF was permanently enjoined from violating Sections 5(a), 5(c), and 17(a) of the Securities Act of 1933 (“Securities Act”), Section

10(b) of the Exchange Act and Rule 10b-5 thereunder, and Section 7(a) of the Investment Company Act of 1940 in SEC v. David A. Dadante et. al., Case No. 1:06-cv-0938 (N.D. Ohio).

7. Dadante, age 54, was formerly a resident of Gates Mills, Ohio. Dadante was the founder and general partner of IPOF. He was not registered with the Commission in any capacity. On August 6, 2007, Dadante pled guilty to two counts of securities fraud. On November 1, 2007, Dadante was permanently enjoined from violating Sections 5(a), 5(c), and 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act in SEC v. David A. Dadante et. al., Case No. 1:06-cv-0938 (N.D. Ohio). On November 29, 2007, the Commission barred Dadante from association with any investment adviser. On December 14, 2007, Dadante was sentenced to 156 months in prison and ordered to pay over \$28 million in restitution.

8. Innotrac is a Georgia corporation with its principal place of business in Duluth, Georgia. Its common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and is traded under the symbol "INOC" on NASDAQ. Innotrac provides order processing, order fulfillment, and call center services to large corporations that outsource these functions.

Background

9. From at least August 2002 through November 2005, Glantz, Dadante, and a registered representative at another brokerage firm, all participated in a scheme to manipulate the market for the stock of Innotrac, the funds for which used from the \$50 million offering fraud and Ponzi scheme that he orchestrated through IPOF. All three pled guilty to violations of Section 10(b) of the Exchange Act and in their plea agreements, they all admitted that they artificially inflated and maintained the price for Innotrac stock. Glantz also admitted in his plea agreement that he engaged in unauthorized and unsuitable trading in his customers' accounts. During the period from August 2002 through November 2005, Dadante used IPOF to acquire more than 30% of the outstanding common stock of Innotrac, and through IPOF and other accounts controlled by him, controlled on average approximately 35% of the public float for Innotrac and typically accounted for between 35% and 50% of the approximate 11,000 share average daily trading volume in Innotrac. Dadante acquired a substantial portion of his Innotrac holdings during the period January 2003 through February 2004 in the IPOF account at Ferris for which Glantz was the registered representative. During the scheme, Glantz purchased Innotrac stock for certain of his other customers at Ferris, and, through their accounts, controlled approximately an additional 25% of Innotrac's public float. Acting in concert, Glantz, Dadante, and the other registered representative employed a variety of manipulative trading practices, including marking the closing price for Innotrac stock, engaging in matched and wash trades, and attempting to artificially create downbids to suppress short selling of Innotrac. To perpetrate the manipulative scheme, and to generate income for himself, Glantz also engaged in unauthorized and unsuitable trading in Innotrac and certain other securities in the accounts of customers other than IPOF.

Urban Failed Reasonably to Supervise Glantz

10. Akers and Vaughan recruited and hired Glantz, and Urban approved his hire. They all had the requisite degree of responsibility, ability or authority at Ferris to affect the conduct of Glantz.

11. When Glantz was hired, Urban, Akers, and Vaughan knew that Glantz had ten customer complaints on his Form U-4. Several employees of the firm's Beachwood, Ohio office had also warned them that Glantz had a questionable reputation in the industry.

12. Despite Glantz's history, Urban, Akers and Vaughan permitted Glantz to work under a special arrangement which allowed him greater freedom of action than other registered representatives at Ferris. Glantz, a retail broker, was permitted to manage both retail and institutional accounts. Akers and Vaughan permitted Glantz, a retail broker assigned to Ferris' Beachwood, Ohio branch office, to work at Ferris' Institutional Trading Desk in Baltimore several days a week. The special arrangement under which Glantz was permitted to work was extremely unusual at Ferris. After Akers and Vaughan approved this arrangement, Urban learned of it at some time prior to May 2003, did not object to it, and allowed it to continue. Glantz took advantage of that special arrangement to evade Ferris' supervisory procedures.

13. Glantz began working for Ferris on January 2, 2003, and problems with his conduct arose very shortly after he started.

14. In or about April 2003, a Ferris compliance officer initiated a review of the trading in the accounts for which Glantz was the registered representative and discovered that IPOF was accumulating a large position in Innotrac by making purchases in small lots at incrementally higher prices throughout the trading day. In April 2003, this compliance officer discussed her concerns with Ferris' Compliance Director. The Compliance Director, in turn, told Urban that she and the compliance officer believed Dadante was manipulating the price of Innotrac. In April and May 2003, this compliance officer also discovered that several other Glantz customer accounts were accumulating large positions in Innotrac. She could not think of any legitimate reason why so many of Glantz's accounts had similar trading patterns, especially because Glantz had marked the majority of the trades as unsolicited. This compliance officer then raised these concerns with Urban.

15. On May 23, 2003, this same compliance officer sent a memorandum (the "May 23 Memo") to certain Ferris senior executives, including Urban and Vaughan. The May 23 Memo reported, among other things, that a number of Glantz customer accounts held large positions in Innotrac, that Ferris customers owned approximately 40% of the total float and 19% of the outstanding shares of Innotrac, and that IPOF owned approximately 31% of the total float and 15% of the outstanding shares. This memorandum warned that there might be manipulative and unsuitable trading in Innotrac and that Glantz was not being properly supervised. This memorandum stated that "[w]hile the price of [Innotrac] has been in an up-trend, I believe this is largely due to the IPOF's accumulation of the shares in small lots on almost a daily basis driving the price higher." The May 23 Memo also noted that Glantz was accumulating Innotrac shares in a

similar manner in some of his other customer accounts, that IPOF was a “control person” of Innotrac but had not made the necessary filings with the Commission, and that the IPOF account had a margin debit of \$9.381 million. The memorandum further reported that the trading in the IPOF account was not consistent with its investment objective of “growth and income.” The May 23 Memo also contained a chart showing a high concentration of Innotrac stock and significant margin debts in other Glantz accounts, the majority of which were individual accounts or profit sharing plans whose investment objectives were reported as “growth and income.” The May 23 Memo further stated that “without question, there is and has been a breakdown of supervisory responsibilities and who shares or owns supervisory responsibilities over the activity in the account and Mr. Glantz.”

16. Ferris’ Credit Committee responded to the size of IPOF’s margin debt by raising the margin requirements for the account. Within approximately a week or two, Ferris’ Compliance Director, the author of the May 23 Memo, and Urban had a conference call with Akers and Vaughan to discuss the May 23 Memo. Akers and Vaughan failed to take any action to address the issues raised in the May 23 Memo as a result of the conversation. Urban did not take additional steps to address the red flags regarding Glantz that were reflected in the May 23 Memo. For example, Urban did not follow-up with Akers or Vaughan to determine whether they were taking the steps they said they would take to address Glantz’s conduct.

17. In late May 2003, the Compliance Director informed Urban that Ferris’ senior institutional trader believed that Dadante and IPOF were manipulating the market for Innotrac by buying in small lots in order to simulate the appearance of demand for the stock and drive up the price. A few days later Urban met with the senior institutional trader, and the senior institutional trader told Urban that he believed that Dadante and IPOF were manipulating the market for Innotrac’s stock. On June 5, 2003, the compliance officer who authored the May 23 Memo sent Urban another memorandum reiterating her concerns about Glantz’s supervision and concluded this memorandum by stating that “I strongly ask that you consider placing Mr. Glantz under special supervision.” Urban disregarded this recommendation, notwithstanding that Ferris’ written supervisory procedures called for a registered representative to be placed under special supervision when conduct by that registered representative raised concerns about his or her business practices or adherence to rules.

18. On June 9, 2003, Urban met with Glantz in Beachwood and told Glantz that IPOF would be restricted from buying Innotrac until it complied with the filing requirements of Section 13(d) of the Exchange Act. He, however, failed reasonably to address Glantz’s lack of supervision or the other issues regarding Glantz’s handling of the trading activity in his customers’ accounts. Urban did restrict IPOF from purchasing Innotrac until IPOF made its Schedule 13D filing on June 25, 2003, after which the restriction was lifted. Dadante and Glantz then continued and escalated their market manipulation scheme.

19. In July and August 2003, Glantz and Dadante implemented a strategy to preclude short selling in Innotrac. At that time, the NASD’s (n/k/a FINRA) bid test imposed restrictions on short selling on a downbid. Dadante acted to take advantage of this prohibition by placing two limit orders to buy Innotrac shares, one at a price incrementally higher than the other, without any

intention to honor the higher bid. He would then promptly cancel the higher bid, in an attempt to create a downbid and thereby prevent short selling.

20. On July 29, 2003, Ferris' Head NASDAQ Trader contacted the compliance department after discovering what Dadante was doing. A Ferris compliance officer informed Dadante that the practice of playing with the bid was manipulative and violated both Ferris' policies as well as securities rules and regulations. The Head NASDAQ Trader then told the traders he supervised to refrain from honoring any customer requests to upbid and then immediately downbid Innotrac. This compliance officer alerted Urban that the IPOF account was manipulating the bid for Innotrac stock.

21. On August 4, 2003, the Compliance Director met with the author of the May 23 Memo and Urban, in part, to discuss a plan of action to deal with the IPOF account and Glantz's lack of supervision. During the meeting, they also discussed several other Glantz accounts mentioned in the May 23 Memo, including one that held an abnormally large concentration of Innotrac stock. Urban failed to reasonably address these red flags.

22. At around the same time as the August 4, 2003 meeting, Dadante's accumulation of Innotrac had caused him to trigger Innotrac's poison pill provision. To circumvent the poison pill and avoid the margin restrictions that had been placed on the IPOF account, Dadante and Glantz opened a new account at Ferris, with Glantz as the registered representative, using the name of a fictitious partnership, GSGI, so that Dadante could continue to manipulate the price of Innotrac. Dadante and Glantz then placed wash trades between the GSGI and IPOF accounts. On August 25, 2003, a margin clerk at Ferris noticed that the GSGI account appeared on a free riding report for a 43,700-share trade in Innotrac on August 21. The clerk reported it to his supervisor, who in turn, notified the author of the May 23 Memo. On August 25, 2003, she emailed the Compliance Director and Urban that Dadante had opened another account at Ferris and had started buying Innotrac in this new account. Three days later, the Operations Director emailed Urban that the GSGI account belonged to Dadante and had started purchasing Innotrac shares. She also noted that Glantz's customers now owned over 25% of Innotrac and that another account referenced in the May 23 Memo was 92% concentrated in Innotrac. Urban failed to reasonably address the red flags relating to Glantz and his customer accounts.

23. In late August 2003, Urban had a conversation with Akers, in which they discussed the compliance department's continued concerns regarding Glantz's supervision. Akers said that he was going to officially transfer Glantz from the Beachwood office to the Baltimore branch office.

24. On September 4, 2003, Urban met with Glantz and Akers and Vaughan, and they all discussed IPOF and the significant and unusual accumulation of Innotrac shares in IPOF and another Glantz customer account. However, Urban, Akers, and Vaughan did not take any action to follow-up with Glantz regarding the concentration of Innotrac stock in his customer accounts.

25. On January 29, 2004, a compliance officer emailed Urban that the margin debit in the IPOF account had grown to \$16.1 million and that the non-Innotrac securities in the account

were valued at only \$13.2 million. This compliance officer further noted that several of the non-Innotrac securities held in the IPOF account were illiquid and highly concentrated and that Ferris could not sell them at their current market value. Thereafter, Urban unilaterally restricted Glantz from accepting or placing any customer orders for Innotrac and he personally conveyed this restriction to Glantz. By February 4, 2004, the margin balance in the IPOF account had grown to \$18.1 million and the account posed a significant credit risk for Ferris. That same day, Urban wrote a memorandum to the Credit Committee, which he sent to certain other senior executives, including Vaughan, stating, among other things, that there continued to be “a lack of clear definition as to who has day to day supervisory responsibilities for Steve Glantz.” Ferris’ Credit Committee subsequently restricted the IPOF account by prohibiting the use of margin for any future purchases of Innotrac.

26. On February 5, 2004, a compliance officer sent Urban an email stating that Ferris’ Innotrac market maker had received an order from another brokerage firm to buy 10,000 shares of Innotrac and they were “99% certain” that the order was related to IPOF. That same day, Glantz sent an email to Akers and Vaughan that he did not want to worry about “taking the fall for a situation that is absolutely not my fault,” and that he did not want to leave Ferris. On February 9, 2004, Akers met with Glantz, Dadante, and an attorney who represented both of them, to discuss the new restrictions being placed on the IPOF account. Urban, Akers and Vaughan, however, all failed reasonably to respond to Glantz’s lack of supervision and the other problems that had previously been brought to their attention with regard to Glantz’s handling of his customer accounts.

27. Following the February 9, 2004 meeting, neither Dadante nor IPOF purchased any more Innotrac stock through Ferris. Glantz, however, continued to engage in manipulative, unsuitable and unauthorized trading in other customer accounts. Among other things, Glantz utilized excessive margin to make unauthorized purchases of speculative stocks for customer accounts. Glantz’s use of margin and the nature and concentration of the stocks he purchased were unsuitable for his customers. Glantz did not disclose these facts, or the risks involved, to his customers. Glantz effected such trades deliberately for the purpose of increasing his own income.

28. In March 2004, many months after Glantz began splitting his time between Ferris’ Baltimore office and the Beachwood office and eight months after Urban and Akers discussed transferring Glantz from the Beachwood office to the Baltimore branch office, he was officially transferred to Ferris’ Baltimore branch office. No one informed the Baltimore branch manager (“Baltimore manager”) of any issues involving Glantz or his handling of his customers’ accounts.

29. In the spring and summer of 2004, Ferris had a great deal of turnover in its Compliance Department, including the departures of the Compliance Director and the author of the May 23 Memo. Urban hired a new Compliance Director (“Compliance Director No. 2”) and several other compliance officers. Urban, however, never briefed any of these new compliance employees regarding Glantz, Dadante, or IPOF.

30. In September 2004, two of the new Ferris compliance officers conducted the annual compliance audit for the Baltimore branch. When they reviewed Glantz’s customer accounts, they

became concerned that Glantz was engaging in unsuitable trading and was orchestrating transactions in his customers' accounts that were designed to artificially support the price of Innotrac. During the audit, the Baltimore manager told the compliance officers, among other things, that he was unable to supervise Glantz and that Glantz needed to be terminated. The compliance officers subsequently wrote a memorandum to Urban detailing their findings regarding Glantz. The memorandum discussed several Glantz customer accounts other than IPOF, the majority of which had been previously discussed in the May 23 Memo. This memorandum reported that all of these accounts had stated investment objectives of "growth and income" and had appeared on Ferris' "active account" report for the month of September 2004, and that most of the accounts had engaged in frequent, short-term trading during this period. The memorandum further stated that these accounts had a "preponderance for large share quantity, low-priced, speculative investments." The memorandum also reported that on September 30, 2004, Glantz cross traded 50,000 shares of Innotrac worth over \$400,000 by selling these shares from one of his customer's accounts to four other customers' accounts, and that these trades were a "cause for concern." This memorandum concluded that "the appropriate supervisory oversight is currently not in place for Mr. Glantz." Urban failed reasonably to respond to the red flags discussed in this memorandum at that time.

31. On December 1, 2004, Dadante received a margin call in one of his accounts at another brokerage firm. Glantz agreed to help Dadante by purchasing Innotrac shares from Dadante's non-Ferris account for the accounts of Glantz's other customers at Ferris. In accordance with their scheme, by December 7, 2004, Glantz had bought 105,700 additional Innotrac shares worth approximately \$927,000 from Dadante for certain of Glantz's other customers at Ferris.

32. On December 8, 2004, a Ferris compliance officer discovered these trades and told Urban about them. At Urban's direction, the compliance officer called three of the customers whose accounts were involved in the trades. He learned from the customers that they had no knowledge of the trades. He also learned that two of the three customers did not even know their accounts were utilizing margin, even though they both had significant margin debits. Around this same time, Compliance Director No. 2 told Urban that he believed that Glantz was manipulating the price of Innotrac stock and recommended that Glantz be fired immediately.

33. On December 15, 2004, Urban wrote a memorandum to Akers and Vaughan detailing his concerns about Glantz and recommending that Glantz be terminated (the "Termination Memo"). He emailed the Termination Memo to them in the early morning hours of December 16, 2004.

34. In the Termination Memo, Urban stated, among other things, that Glantz's investments and use of margin for the accounts of one of his individual customers was "clearly unsuitable" and that the trading in these accounts exposed Glantz and Ferris to "claims of churning." The Termination Memo also reported that the compliance department had contacted the customers for whose accounts Innotrac had been purchased in December 2004, that none of the customers had initiated the trades, that they did not know that the purchases had been made, and that there was no written discretionary authority for these accounts. The Termination Memo also stated that Glantz had structured the December trades to avoid disrupting the market for Innotrac.

The Termination Memo further stated that Glantz had been “essentially unsupervised” during his tenure at Ferris and concluded by recommending that Glantz be terminated.

35. Urban and Compliance Director No. 2 met with Akers and Vaughan to discuss the issues raised in the Termination Memo. Akers challenged the recommendation that Glantz be terminated and suggested that Glantz instead be placed on special supervision. At the end of the meeting, Urban retracted his recommendation that Glantz be fired and agreed with Akers to allow Glantz to be placed on special supervision. Vaughan acquiesced in that decision.

36. Urban caused Ferris to file a Form RE-3 with the NYSE. However, he only included on the Form RE-3 information about Glantz’s trading without written authorization. He did not disclose in the Form RE-3 filing any of the other concerns that he included in the Termination Memo.

37. Pursuant to the memorandum outlining the details of Glantz’s special supervision, Akers became Glantz’ supervisor. Urban approved the special supervision memorandum. After being placed on special supervision, Glantz was assigned to work out of Ferris’ Hunt Valley, Maryland branch. Akers, however, was Glantz’s supervisor, not the Hunt Valley branch manager. Thus, Akers was responsible for supervising Glantz in accordance with the special supervision memorandum and Ferris’ routine supervisory procedures. While under Akers’ supervision, Glantz continued to engage in unauthorized, unsuitable and manipulative trading in his customers’ accounts. Akers did not discover Glantz’s continuing fraud, because he was not reasonably performing his duties as Glantz’s supervisor. If Akers had followed Ferris’ routine supervisory procedures and the special supervisory procedures in the special supervision memorandum, he would have been able to detect and prevent Glantz’s unsuitable, unauthorized, and manipulative trading. Moreover, Urban did not follow-up with anyone, including Akers, to determine whether Akers or others had addressed the concerns regarding Glantz’s conduct and his supervision.

38. Soon after being placed on special supervision, Glantz received a stock tip from an individual in Canada that positive news would soon be released about a company called ATC Healthcare, Inc. (“ATC Healthcare”). Based on this tip, on Friday, February 4, 2005, Glantz bought a total of 500,000 shares of ATC Healthcare for himself and for certain customers’ accounts without their authorization. Glantz, however, did not allocate these shares at the time of the purchases. At the end of the day, Glantz allocated 480,000 shares among six customer accounts, and allocated 20,000 to his personal account. The next Monday and Tuesday, Glantz purchased an additional 480,000 shares of ATC Healthcare for his customers’ accounts. Although no positive news was released about ATC Healthcare during this period, Glantz’s purchases caused the stock price to increase from \$0.30 to \$0.46 a share in just a few days time. Glantz subsequently sold his 20,000 shares at a profit, but did not sell the remaining 960,000 shares that he purchased without authorization for his customers’ accounts. Akers did not discover these and other manipulative and unauthorized transactions, because he was not reasonably performing his duties as Glantz’s supervisor.

39. Ferris’ Anti-money Laundering Officer (“AML Officer”) discovered these ATC Healthcare trades and emailed Urban on February 23, 2005, because he was concerned that the

trades “could create the appearance of manipulative market practices.” In the email, he asked Urban to request that retail sales management provide an explanation for the trades. Urban never responded to this email, and never asked retail sales management for an explanation. On April 5, 2005, the AML Officer sent Urban a follow-up email, with the original email attached. In this second email, he asked if the trades discussed in his original email were suspicious because, if so, he was obligated to file a Suspicious Activity Report (“SAR”). Urban again failed to respond. On May 13, 2005, Compliance Director No. 2 sent an email, with the AML Officer’s two emails attached, telling Urban that they needed to get an explanation for the ATC Healthcare trades. Again, Urban failed to respond. The AML Officer then followed-up in person with Urban several times to attempt to discuss the trades and the possible need to file a SAR. Finally, in June 2005, the AML Officer stood in Urban’s office doorway and refused to leave until he received an answer. Urban finally told the AML Officer that Ferris would not be filing a SAR for these ATC Healthcare trades. Urban failed to respond reasonably to these red flags.

40. On April 4, 2005, a compliance officer emailed Urban that through his review of certain Innotrac Form 4 filings, he had discovered that IPOF was on the other side of the December 2004 trades that had triggered the Termination Memo. Urban responded that “I find it highly unlikely that Glantz did not know who . . . was selling when he placed those shares in his customers’ account.” He concluded his email by stating that they needed to have another talk with Glantz. However, Urban did not speak with Glantz or reasonably respond to these red flags.

41. In June 2005, the Compliance Department’s audit report for the Hunt Valley branch identified 18 Glantz customer accounts as requiring monitoring of their trading activity and suitability, stating that Ferris should monitor and review those 18 accounts “in regard to their investment objective(s), client profile, portfolio holdings, margin debit, gain/loss analysis . . . and commissions generated.” Urban and Akers received this audit report but again failed reasonably to respond to these red flags.

42. On June 29, 2005, Dadante called the Ferris trading desk and told one of the traders that he was going to place a large order to buy Innotrac through his accounts at another brokerage firm. Dadante told the trader that he did not want to buy any shares from any of Glantz’s customers. Despite this instruction, the trader matched Dadante’s buy order with certain Glantz customers who had placed sell orders, as was appropriate under the circumstances. The trader relayed all of this information to the Head NASDAQ Trader, who that same day sent Urban and a compliance officer an email summarizing what had transpired and concluding the email by stating that the “approach to this order raises warning flags that could point to attempted price manipulation.” Only a few minutes later, this compliance officer emailed Urban that the transaction entails “more manipulation concerns.” Urban responded an hour later that he “agreed” and that he would provide directions to the trading desk.

43. Glantz remained an employee of Ferris until November 2005, at which time several IPOF investors filed a lawsuit and named Ferris as one of the defendants.

Violations

44. As a result of the conduct described above, Urban failed reasonably to supervise Glantz with a view to detecting and preventing Glantz's violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 15(b) of the Exchange Act including, but not limited to, disgorgement and civil penalties pursuant to Section 21B of the Exchange Act and;

C. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act including, but not limited to, civil penalties pursuant to Section 203(i) of the Advisers Act;

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against them upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not “rule making” within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy
Secretary