

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 51090 / January 28, 2005

INVESTMENT ADVISERS ACT OF 1940
Release No. 2345 / January 28, 2005

ADMINISTRATIVE PROCEEDING
File No. 3-11692

In The Matter of	:	ORDER MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS
RAYMOND JAMES FINANCIAL SERVICES, INC.	:	PURSUANT TO SECTION 15(b) OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(f) OF THE
J. STEPHEN PUTNAM and DAVID LEE ULLOM,	:	INVESTMENT ADVISERS ACT OF 1940 AS TO DAVID LEE ULLOM
Respondents.	:	
	:	
	:	

I.

On September 30, 2004, the Securities and Exchange Commission (“Commission”) instituted administrative and cease-and-desist proceedings pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Raymond James Financial Services, Inc. (“Raymond James”), J. Stephen Putnam (“Putnam”) and David Lee Ullom (“Ullom” or “Respondent Ullom”).

II.

In response to these proceedings, Respondent Ullom has submitted an Offer of Settlement (“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, Respondent Ullom consents to the entry of this Order Making Findings and Imposing Remedial Sanctions Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940 (“Order”), as set forth below.

III.

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

Settling Respondent

1. **Ullom**, age 67, is a resident of Greene, Rhode Island. During the relevant period, Ullom was employed as the branch office manager of a Raymond James office located in Cranston, Rhode Island (the "Cranston Branch"). Ullom was registered with Raymond James as a general securities representative, general securities principal, municipal securities principal, financial and operations principal, and registered options principal from in or about January 1999 until he was discharged by Raymond James in or about November 2002. Ullom had been associated with Raymond James or its predecessors since in or about June 1992. During the relevant period, Ullom was a person associated with a broker or dealer and with an investment adviser.

Other Respondents

2. **Raymond James**, a wholly-owned subsidiary of Raymond James Financial, Inc. ("Raymond James Financial"), is a Florida corporation registered with the Commission as a broker-dealer and investment adviser pursuant to Section 15(b) of the Exchange Act and Section 203(a) of the Advisers Act, respectively. Raymond James has its principal place of business in St. Petersburg, Florida.

3. **Putnam**, age 61, resides in Tarpon Springs, Florida. Putnam was associated with Raymond James (and/or its predecessors) from in or about July 1983 until March 2002, at which time he assumed the title of executive vice president of special projects at Raymond James Financial. During the relevant period, Putnam was employed as the president and chief operating officer of Raymond James.

Other Relevant Parties

4. **Dennis S. Herula** ("Herula"), age 57, was a Raymond James registered representative from in or about August 1999 until his termination in or about December 2000. He was assigned to the Cranston Branch of Raymond James, which was managed by Ullom. Throughout most of his tenure at Raymond James, notwithstanding his assigned location, Herula worked from his house and from locations other than the Cranston Branch.

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

5. **Brite Business Corporation** (“Brite Business”), now defunct, was incorporated in Delaware in or about April 1999 and dissolved by the State of Delaware in or about March 2001. During the relevant period, Brite Business maintained a brokerage account at Raymond James in which it held funds of Brite Business investors, for use in a purported investment program.

6. **Mary Lee Capalbo (a.k.a. Mary Lee Capalbo Herula)** (“Capalbo”), age 52, was both Herula’s wife and an attorney licensed to practice in the State of Rhode Island at all relevant times.

7. **Martin D. Fife** (“Fife”), now deceased, was the president of Brite Business at all relevant times.

Summary

8. In connection with a fraudulent scheme, Herula, a Raymond James registered representative, and several other individuals worked together to solicit investors to deposit approximately \$44.5 million in an account at Raymond James held in the name of Brite Business during the period from November 1999 through March 2000. These investors were generally promised that, at no risk to their initial investments, they would receive astronomical returns through various Brite Business activities, including a sophisticated trading program. In his capacity as a Raymond James representative, Herula made numerous false representations to Brite Business investors to the effect that the funds they invested in Brite Business would remain under their control in an account at Raymond James and that Raymond James would safeguard those funds. Ullom and another person were aware of the suspicious nature of some of Brite Business’s activities, and were aware that Herula was making and/or had made misrepresentations on behalf of Raymond James in connection with these activities, but they did not take timely steps sufficient to address those misrepresentations or to stop Herula from making further misrepresentations.

9. Of the approximately \$44.5 million that was deposited in the Brite Business account at Raymond James, approximately \$15.5 million was dissipated and never returned to investors. Most of the dissipated funds were transferred to an account at Raymond James controlled by Herula’s wife, Capalbo (the “Capalbo Account”). Ullom and, in at least two cases, another person, facilitated the dissipation of these funds by approving the transfers to Capalbo’s account. In addition, Herula convinced another Raymond James client to transfer \$1 million from that investor’s account at Raymond James to the Capalbo Account. In total, approximately \$16.5 million in investor funds was dissipated. Of the investor funds transferred to the Capalbo Account, Herula and Capalbo misappropriated approximately \$8.7 million for their personal benefit. The majority of the remainder was dissipated to other individuals and institutions.

10. Ullom failed reasonably to supervise Herula, a person subject to his supervision, with a view to preventing or detecting Herula’s violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

The Brite Business Fraudulent Scheme

11. In 1999 and 2000, Herula and individuals associated with Brite Business (and a related company, Brite Business S.A.) engaged in a scheme pursuant to which they successfully solicited five investors to invest a total of approximately \$51.75 million with Brite Business. Among these investors were Rashed Mohamed Mahran Al Bloushi (“Bloushi”), who invested \$7.5 million; Rheaume Holdings, Ltd. (“Rheaume”), which invested \$12.5 million; and Four Star Financial Services (“Four Star”), which invested \$11.75 million, some of which was invested through an intermediary, Lewis Blackburn (“Blackburn”).

12. To induce these investors to provide their funds to Brite Business, Brite Business representatives fraudulently promised Bloushi, Rheaume, Four Star, and the other investors that Brite Business would generate astronomical returns on their investments. For example, Brite Business representatives represented to Rheaume that its \$12.5 million investment would generate, at a minimum, a return of 120% (or \$15 million) in a three-month period.

13. In or about October 1999, Fife, the president of Brite Business, opened a securities brokerage account at the Cranston Branch of Raymond James to facilitate the Brite Business scheme. The account was opened in Brite Business’s name, and at all relevant times, Herula was the designated registered representative on the account.

14. Of the \$51.75 million that Brite Business procured from investors, approximately \$44.5 million was deposited into the Brite Business account at Raymond James between November 1999 and March 2000. Of that \$44.5 million, approximately \$29 million was returned to three of the investors (including Four Star) who had demanded their money back. The remaining approximately \$15.5 million – including all of Rheaume’s \$12.5 million investment and the majority of the \$5 million of Bloushi’s investment that was deposited with Raymond James – was misappropriated or otherwise dissipated from the Brite Business account at Raymond James.

Brite Business’s Balance Sheet Enhancement Program

15. By October 1999, as part of the Brite Business scheme, Fife was promoting a “balance sheet enhancement program.” In connection with this program, Fife planned to have Raymond James purchase for Brite Business U.S. Treasury bills (“T-bills”) on margin using Brite Business investor funds held in the Raymond James account. The stated purpose of the program was to give the appearance that Brite Business had a robust balance sheet, which purportedly would qualify Brite Business to bid on large, third-world development projects. According to Fife, once the projects were developed, investors would receive their principal back, as well as substantial profits generated from the third-world projects.

16. In October 1999, the president of Raymond James, Ullom, Herula, and others from Raymond James and/or its affiliates met with representatives of Brite Business to discuss its balance sheet enhancement program and Raymond James’s possible role in that program.

17. During and after the October 1999 meeting, the president of Raymond James, Ullom and others from Raymond James and/or its affiliates expressed skepticism about the program and concern that Brite Business's motive was to misrepresent its financial picture. However, Ullom and others also appreciated that Brite Business was offering Raymond James the opportunity to earn substantial fees by becoming involved in the program. Ullom and another person expressed a reluctance to harm the relationship with Brite Business because they had hopes of doing more significant business with it and its seemingly influential principals.

18. In December 1999, notwithstanding the concern and skepticism expressed toward the balance sheet enhancement program by individuals at Raymond James and/or its affiliates, Herula, acting on instructions from Fife, utilized approximately \$12.4 million of Brite Business investor funds to purchase approximately \$115 million worth of T-bills on margin in the Raymond James account. Raymond James employees, including the president and Ullom, were aware of the transaction at or about the time it was made and understood it to have been executed in connection with Brite Business's balance sheet enhancement program.

19. In January 2000, due to continuing concerns voiced at Raymond James about Brite Business, Raymond James's president and its senior vice president and corporate secretary, who also served as corporate counsel, met with Fife and other Brite Business representatives. The purpose of the meeting was to learn more about the balance sheet enhancement program, including Fife's motive in purchasing, for approximately \$12.4 million, T-bills worth \$115 million on margin when the margin interest exceeded the interest generated on the T-bills. Later the same month, in the wake of the meeting, Raymond James's president decided that Raymond James should have no further involvement with Brite Business. Raymond James's president promptly notified Ullom and others at Raymond James of this decision.

20. Notwithstanding this decision, Ullom and another person continued to allow Brite Business to maintain its brokerage account at Raymond James and continued to permit money to be deposited into and disbursed from the account. They also allowed Herula to continue performing business activities for Brite Business while he was a registered representative for Raymond James.

Herula's Misrepresentations in Brite Business's Fraudulent Scheme

21. During the period from December 1999 through November 2000, Herula sent out numerous pieces of correspondence both to prospective and actual Brite Business investors in connection with Brite Business's fraudulent scheme. This correspondence, which contained material misrepresentations, was often written on Raymond James letterhead and signed by Herula, purportedly in his capacity as a Raymond James investment manager.

22. In January 2000, for example, Herula sent an e-mail from his Raymond James e-mail account soliciting an investor to deposit \$100 million at Raymond James in connection with Brite Business activities. The e-mail, which was signed by Herula as a representative of

Raymond James, stated that Brite Business agreed to ensure the potential investor a 10% return on the investment. In the e-mail, Herula also directed the investor to the Raymond James web site to view Raymond James products, services, and financial information. Herula forwarded the e-mail to Ullom just days after he sent it. Ullom, however, failed to make adequate inquiry into the circumstances surrounding this e-mail and did not take reasonable steps to stop Herula from making further similar statements on behalf of Raymond James.

23. During the period from January 2000 through March 2000, Herula sent several letters to Bloushi, a Brite Business investor. Bloushi had deposited \$7.5 million with Brite Business in or about June 1999, approximately \$5 million of which was transferred to the Brite Business account at Raymond James in October 1999. As of early 2000, Bloushi had still not received any of the profits he had been promised on his investment with Brite Business. In Herula's letters, written on Raymond James letterhead, Herula attempted to "lull" Bloushi by making various misrepresentations regarding the status of the Brite Business activities in which Bloushi had supposedly invested. During the same period, Herula sent at least one letter making similar misrepresentations to another investor, who had deposited \$10 million into the Brite Business account at Raymond James in or about December 1999.

24. In March 2000, Herula wrote a letter to Rheaume (the "Rheaume Letter"). He drafted the letter on Raymond James letterhead and purported to sign it in his capacity as a Raymond James investment manager. In the letter, Herula wrote that Raymond James had received irrevocable instructions from Brite Business regarding a potential deposit of \$12.5 million from Rheaume for the purpose of completing a purchase of US T-bills, notes, or bonds. Herula falsely represented that "Raymond James will follow those instructions with the full faith and backing of the company to assure the funds deposited by Rheaume Holdings Ltd. will not be withdrawn from the account without written instructions of Rheaume Holdings Ltd." Further, Herula falsely stated that "Raymond James will return the funds in full, without delays or encumbrances, upon the maturity of the T-Bill, Note or Bond transaction." By his letter, Herula also conveyed "a full faith assurance for Rheaume Holdings Ltd. that your funds will not be at risk at any time during or after the anticipated transactions and, as such, the funds plus interest will be returned, intact, as long as the T-Bill, Note or Bond are held to maturity."

25. Also in or about March 2000, Robert Curl ("Curl"), a Rheaume representative, traveled to the Cranston Branch of Raymond James to meet with Herula at his office there and to get Raymond James to confirm the safety of Rheaume's potential investment. During that meeting, Herula falsely told Curl, among other things, that Rheaume's funds would be segregated in an account at Raymond James in the investor's name; that the funds would be invested by Brite Business in T-bills; and that the funds would be free from risk. Herula also falsely represented that the money would not be withdrawn without Rheaume's authorization.

26. On or about March 27, 2000, relying on the representations Herula made during his meeting with Curl and in the Rheaume Letter, Rheaume deposited approximately \$12.5 million into the Brite Business account at Raymond James.

27. Herula sent letters similar to the Rheaume Letter, containing virtually identical representations, to other potential investors in early March 2000. Each of the letters was written on Raymond James letterhead and signed by Herula, purportedly in his capacity as a Raymond James investment manager. One such letter (the "Blackburn Letter") went to Blackburn, an intermediary for Four Star, which invested \$11.75 million with Brite Business shortly after receiving the letter; \$7 million of this investment went into the Brite Business account at Raymond James.

28. Another such letter ("the Lanciano Letter") was sent to Lanciano Limited in anticipation of its potential \$25 million deposit. In the letter, dated March 1, 2000, Herula emphasized Raymond James's size and stature and described Brite Business as "a valued client of Raymond James, maintaining an account with an aggregate nine-figure balance." At the time, however, the Brite Business account had a net value of less than \$2 million.

29. In the Lanciano Letter, Herula also vouched for Brite Business and its financial plans, stating:

This letter is to confirm my review and understanding of the financial plans of Brite Business Corp. Upon extensive review and confirmation of the irrevocable instructions from Brite Business Corp., I am confident that the profits from their Treasury transactions will be used to honor their commitments and contract with you. Further, I know and have worked with our client, Brite Business, and can confirm that they are of the highest rank of moral character and business acumen.

In the balance of the Lanciano Letter, Herula repeated the same types of misrepresentations he had made in other letters to potential investors, *i.e.*, regarding the manner in which Raymond James would safeguard the funds and ensure that the funds would not be at risk at any time.

30. On March 20, 2000, a senior vice president at a Raymond James affiliate received a copy of the Lanciano Letter after questions were raised about Raymond James's representations in that letter. The Lanciano Letter was then forwarded to individuals at Raymond James, including its chief compliance officer and Ullom.

31. Thereafter, Raymond James's president directed that a restriction be placed on the Brite Business account at Raymond James. This restriction required Raymond James's president's approval prior to any disbursement of funds from the account. No other action was taken against Herula. Indeed, Ullom and another person allowed Herula to continue to work on Brite Business activities while he was a Raymond James registered representative.

32. On or about July 10, 2000, Four Star sent a letter to Herula demanding the return of the money that Four Star stated Blackburn had deposited on its behalf in the Brite Business account at Raymond James. Enclosed with the letter were several pieces of correspondence

(including the Blackburn Letter) that Herula had sent to Blackburn. This correspondence, written by Herula on Raymond James letterhead, contained misrepresentations regarding, *inter alia*, Raymond James's safeguarding of the invested funds and the status of the T-bills purchased for Brite Business, as of March 2000 and May 2000.

33. Two days later, on July 12, 2000, Four Star sent a letter to Ullom reiterating its claim to the funds that had been invested on its behalf by Blackburn, and attaching some of the correspondence (*e.g.*, the Blackburn Letter) containing misrepresentations that Herula had made. Ullom promptly notified another person at Raymond James of the Blackburn Letter and the other correspondence he had received from Four Star.

34. After learning of this correspondence, Ullom, who had the authority to terminate Herula, did not do so. Indeed, Ullom and another person who was aware of this correspondence took no disciplinary action against Herula at that time. In addition, Ullom did not take reasonable steps to ensure that others had not been similarly deceived by Herula and been induced to deposit funds in the Brite Business account as a result.

35. Despite their knowledge that Herula had sent out correspondence containing misrepresentations to solicit Brite Business investors and that he had done so purportedly in his capacity as a Raymond James investment manager, Ullom and another person allowed Herula to continue working at Raymond James (and performing business activities for Brite Business) until near the end of 2000.

36. Ullom also allowed Herula to continue working from home or other locations away from the Cranston Branch during that period even though he considered it difficult to supervise Herula when he was working off-site. For example, Ullom found it difficult to monitor Herula's activities, including his use of firm letterhead, because Herula was working off-site. According to Raymond James procedures established at that time, branch managers had sole discretion as to whether and when they should audit the activities of registered representatives who were working off-site. Despite his inability to effectively monitor Herula's activities, Ullom did not audit Herula's off-site office and allowed Herula to continue working from home or other locations away from the Cranston Branch during that period.

37. From mid-2000 through December 2000, however, Herula continued to send out correspondence purportedly in his capacity as a Raymond James investment manager. In correspondence to Rheaume, for example, Herula made numerous false statements designed to convince Rheaume that its \$12.5 million investment was still safe, when in fact Herula and others had already misappropriated or otherwise dissipated those funds.

The Misappropriation of Brite Business Investor Funds

38. In March 2000, after the president of Raymond James ordered that a restriction be placed on the Brite Business account at Raymond James, Fife, Herula, and Herula's wife, Capalbo, opened a separate brokerage account at Raymond James called the "Mary Lee Capalbo

Esq. Special Client Account" (*i.e.*, the Capalbo Account). Herula served as the designated registered representative on that account at all relevant times.

39. From March 2000 through September 2000, the restriction on the Brite Business account remained in place so that funds were not to be disbursed from the account without Raymond James's president's approval. Ullom was aware of this restriction and yet, during this period, approved transfers of millions of dollars of investors' funds from the Brite Business account into the Capalbo Account in violation of this restriction.

40. Ullom also approved subsequent transfers of large amounts from the Capalbo Account out of Raymond James to other individuals and entities. In addition, during the period from March 2000 through September 2000, Herula's wife also transferred millions of dollars from her account at Raymond James to accounts in her name at other financial institutions. These transfers were detailed on various internal reports which Ullom, as branch manager, was required to review on a regular basis.

41. In September 2000, Fife and Herula opened a separate brokerage account at Raymond James in the name of Seaview Development & Holdings, Ltd., another entity controlled by Fife. Thereafter, Fife and Herula transferred over \$1 million of Brite Business investor funds into that account from the Capalbo Account and separate Brite Business account at Raymond James. Herula served as the designated registered representative on that account at all relevant times. In October 2000, Raymond James received \$25,000 in fees in connection with that account.

42. In August 2000 and October 2000 respectively, Herula made two separate payments of \$50,000 each to an entity controlled by Ullom from accounts controlled by Capalbo. (In addition, in November 1999, the same Ullom entity had also received a check for \$90,000 from an account owned by Capalbo.)

43. In total, approximately \$15.5 million in Brite Business investor funds were dissipated from the Brite Business account at Raymond James. Most of these funds were transferred to the Capalbo Account and then transferred to individuals and entities outside of Raymond James. The rest was misappropriated or otherwise dissipated directly from the Brite Business account. Of the \$15.5 million from the Brite Business account (as well as an additional approximately \$1 million from the account of another Raymond James customer, discussed below), Herula and Capalbo misappropriated approximately \$8.7 million for their personal benefit.

44. Despite harboring suspicions about Brite Business's activities, being aware of misrepresentations that Herula was making on behalf of Raymond James to potential investors, and knowing that Capalbo was Herula's wife, Ullom did not take effective action to investigate the circumstances surrounding these transfers to ensure that Herula and others were not misappropriating or otherwise dissipating investor funds. Indeed, Ullom authorized many of these transfers.

**Misrepresentations to Malcolm Monlezun and
Misappropriation of His Funds**

45. In September or October of 2000, Herula also misled another investor, Malcolm Monlezun (“Monlezun”), into depositing funds with Raymond James. In connection with a supposed investment opportunity involving a high-yield, inter-bank trading program in Europe, Herula solicited Monlezun and Monlezun’s wife to open a money market account at Raymond James and to deposit \$1 million into it. Herula told Monlezun that Herula would be the financial adviser for the investment and that based on Herula’s experience with such investments, Monlezun should expect to receive a return of 10%-30% per month. Herula also told Monlezun that throughout the period of investment, Monlezun’s funds would remain in the account at Raymond James and under the control of Monlezun and Monlezun’s wife.

46. By in or about November 2000, Monlezun had yet to receive a return on his investment and expressed some frustration to Herula. Herula told Monlezun that he knew other individuals, including Fife, who had years of experience with these types of large-scale investments and he invited Monlezun to participate in an investment these individuals were pursuing. Herula told Monlezun that in order to participate in the investment, Monlezun’s \$1 million investment would have to be pooled in the Capalbo Account with \$99 million collected from other investors. Herula did not tell Monlezun that Capalbo was Herula’s wife. Relying on Herula’s misrepresentations, Monlezun transferred the \$1 million from his money market account to the Capalbo Account. Ullom authorized the transfer without first contacting Monlezun, in violation of the Raymond James policies that required him to do so whenever a letter of authorization instructed a transfer or disbursement to a third party.

47. Shortly thereafter, the majority of Monlezun’s funds were transferred from the Capalbo Account. Approximately \$400,000 of these funds was transferred to an account outside of Raymond James controlled by Capalbo on or about December 5, 2000.

48. Although Herula eventually repaid to Monlezun approximately \$125,000 in purported “interest” payments, the remaining \$875,000 Monlezun had invested was misappropriated and never returned to Monlezun.

Ullom, As Herula’s Direct Supervisor, Failed Reasonably to Supervise Herula

49. Ullom was Herula’s direct supervisor during the relevant period.

50. As set forth above, Ullom became aware of several “red flags” which alerted him to Herula’s suspicious activity and potential misconduct, yet he failed to respond adequately to those red flags. Among other things, Ullom was aware that Herula was conducting activities for a suspicious business venture and that Herula had improperly sent correspondence on Raymond James letterhead on several occasions during 2000, including correspondence that made false representations and promises on Raymond James’s behalf.

51. Even after they became aware during 2000 that Herula had repeatedly sent out correspondence containing false representations on behalf of Raymond James, and even though Ullom was finding it difficult to supervise Herula when Herula was working off-site, Ullom did not inquire further or take any steps to address the conduct, such as restricting Herula's business activities, revoking his privilege of working away from the Cranston Branch, or firing him, until approximately \$16.5 million of investor funds had been misappropriated or otherwise dissipated. Had Ullom properly responded to the "red flags" which alerted him to Herula's suspicious activity and potential misconduct by, for example, scrutinizing, investigating, or terminating Herula's activities, he could have reasonably detected or prevented Herula's violations of the federal securities laws.

52. Pursuant to a Raymond James policy in effect at that time that allowed registered representatives to work from their homes or other locations away from registered branch offices if the branch manager deemed it appropriate, Herula was allowed to work from his home and other locations away from the Cranston Branch for nearly his entire tenure at Raymond James. During this period, neither Ullom nor anyone else at Raymond James audited or even inspected Herula's offsite locations. The lack of oversight of Herula and his files during nearly his entire tenure at Raymond James while he worked away from the Cranston Branch allowed Herula to use his association with Raymond James to promote the Brite Business fraud. Such audits or inspections could have detected the fact that Herula was continuing to make misrepresentations on behalf of Raymond James to solicit Brite Business investors, which in turn could have helped Ullom or others to reasonably detect or prevent Herula's violations of the federal securities laws.

53. During the relevant period, Raymond James had specifically designated the Capalbo Account as an "employee-related" account on firm records and had records indicating that Herula's wife held the Capalbo Account in her name and exercised control over the account.

54. During the relevant period, Raymond James had one type of internal "exception" report called the Manager Account Review System, or "MARS" report, which incorporated key components of several other internal reports into a single document for supervisory review, to track the activity of each branch office separately. Among other things, the MARS report was designed to alert branch managers and others to suspicious account activity between customers and employees.

55. Under the Raymond James policy in effect during the relevant period, the branch manager and others were responsible for reviewing MARS reports on a monthly basis. However, Ullom, Herula's branch manager, did not discharge his responsibility to both review these reports and follow-up on the information contained in them once he did so.

56. As a result of the conduct described above, Respondent Ullom failed reasonably to supervise Herula, a person subject to his supervision, with a view to preventing or detecting Herula's violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder. Section 15(b) of the Exchange Act and Section 203(f) of the

Advisers Act provide for the imposition of sanctions against, respectively, a broker or dealer or a person associated with a broker or dealer, and a person associated with an investment adviser, who has failed reasonably to supervise, with a view to preventing violations of the securities laws, another person who commits such a violation, if such other person is subject to his supervision.

Undertakings

57. In connection with this proceeding and any related judicial or administrative proceeding or investigation commenced by the Commission or to which the Commission is a party, Respondent Ullom (i) agrees to appear and be interviewed by Commission staff at such times and places as the staff requests upon reasonable notice; (ii) will accept service by mail or facsimile transmission of notices or subpoenas issued by or on behalf of the Commission for documents or testimony at depositions, hearings, or trials, or in connection with any related investigation by Commission staff; (iii) appoints Respondent Ullom's attorney in this proceeding as agent to receive service of such notices and subpoenas; (iv) with respect to such notices and subpoenas, waives the territorial limits on service contained in Rule 45 of the Federal Rules of Civil Procedure and any applicable local rules, provided that the party requesting the testimony reimburses Respondent Ullom's travel, lodging, and subsistence expenses at the then-prevailing U.S. Government per diem rates; and (v) consents to personal jurisdiction over Respondent Ullom in any United States District Court for purposes of enforcing any such subpoena.

58. In determining whether to accept the Offer, the Commission considered these undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate, in the public interest and for the protection of investors to impose the sanctions agreed to in Ullom's Offer. Accordingly, pursuant to Section 15(b) of the Exchange Act and Section 203(f) of the Advisers Act, it is hereby ORDERED, effective immediately, that:

A. Respondent Ullom be, and hereby is (1) barred from association in a supervisory capacity with any broker, dealer, or investment adviser; and (2) barred from association in any capacity with any broker, dealer, or investment adviser, with the right to reapply for association in a non-supervisory capacity after one (1) year to the appropriate self-regulatory organization, or if there is none, to the Commission;

B. Any reapplication for association by Respondent Ullom 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 Respondent Ullom, 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;

C. Respondent Ullom shall pay a civil monetary penalty in the amount of \$100,000 to the United States Treasury, on the following schedule:

- a. within three days of the entry of the Order, a payment of \$10,000;
- b. on or before April 30, 2005, a payment of \$7,500;
- c. on or before July 31, 2005, a payment of \$7,500;
- d. on or before October 30, 2005, a payment of \$7,500;
- e. on or before January 31, 2006, a payment of \$7,500;
- f. on or before April 30, 2006, a payment of \$7,500;
- g. on or before July 31, 2006, a payment of \$7,500;
- h. on or before October 30, 2006, a payment of \$7,500;
- i. on or before January 31, 2007, a payment of \$7,500;
- j. on or before April 30, 2007, a payment of \$7,500;
- k. on or before July 31, 2007, a payment of \$7,500;
- l. on or before October 30, 2007, a payment of \$7,500; and
- m. on or before January 31, 2008, a payment of \$7,500.

Such payments shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities

and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies Respondent Ullom as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Luke T. Cadigan, Senior Trial Counsel, Division of Enforcement, U.S. Securities and Exchange Commission, Boston District Office, 73 Tremont Street, Suite 600, Boston, MA 02108. Respondent Ullom agrees that if the full amount of any payment described above is not made within ten (10) days following the date the payment is required by this Order, the entire amount of the civil monetary penalty, minus payments made, if any, is due and payable immediately without further application.

By the Commission.

Jonathan G. Katz
Secretary