

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

SECURITIES EXCHANGE ACT OF 1934
Rel. No. 54436 / September 13, 2006

Admin. Proc. File No. 3-11692

In the Matter of	:	Order Approving Plan of
	:	Fair Fund Distribution, Approving
RAYMOND JAMES FINANCIAL SERVICES,	:	Distribution of Funds, and
INC., and J. STEPHEN PUTNAM	:	Appointing Administrator
	:	
	:	

On September 15, 2005, after a three-week trial, Chief Administrative Law Judge Brenda Murray issued her Initial Decision in this matter. In the decision, Chief ALJ Murray found Respondent Raymond James Financial Services, Inc. (“RJFS”) liable for the fraudulent conduct of its registered representative, Dennis Herula (“Herula”), and found RJFS and Respondent J. Stephen Putnam (“Putnam”) liable for failure to supervise. As a result of RJFS’s violations, Chief ALJ Murray imposed a penalty of \$6.9 million. Chief ALJ Murray also ordered RJFS to disgorge the \$5,866.25 in commissions and fees that RJFS received from the accounts associated with the scheme, plus prejudgment interest.

Chief ALJ Murray stated that with these payments, she would create a Fair Fund to benefit the investors harmed by the violations. Initial Decision, at pg. 75. In her Initial Decision, she found that Robert Fitzhenry (“Fitzhenry”), who invested funds through his entity Rheaume Holdings Ltd., and Malcolm Monlezun (“Monlezun”) were the two individuals harmed by RJFS’s securities violations. *Id.* Although Herula also made representations to a third investor, Rashed Al Bloushi (“Al Bloushi”), who in the September 30, 2004 Order Instituting Proceedings against RJFS was alleged by the Division of Enforcement (the “Division”) to have lost approximately \$5 million that had been deposited in an account at RJFS in connection with the scheme, Chief ALJ Murray found that RJFS could not be held liable for these representations because Al Bloushi did not rely on them in first making his investment. *Id.*, at pg. 68 n.75.

On November 21, 2005, the Commission issued an order making final the Initial Decision. On November 22, 2005, RJFS satisfied its disgorgement, prejudgment interest and penalty obligations by paying \$6,907,733.01 to the Commission.¹

¹ Putnam was ordered to pay a penalty of \$200,000.00, but no disgorgement. Putnam satisfied his penalty obligation by paying \$200,000 to the Commission on December 21, 2005. This payment, which included no disgorgement obligation, did not qualify for inclusion in the Fair Fund.

On March 31, 2006, pursuant to Rule 1103 of the Commission's Rules on Fair Fund and Disgorgement Plans, 17 C.F.R. § 201.1103, the Commission published notice (the "Notice") of the Plan of Fair Fund Distribution (the "Plan") proposed by the Division in this proceeding. Consistent with the Initial Decision, the Division proposed that the funds paid by RJFS plus accrued income (the "Fair Fund") be distributed, on a *pro rata* basis after expenses, to Fitzhenry and Monlezun. In its Plan, the Division also proposed that Luke T. Cadigan, Senior Trial Counsel, Boston District Office, be appointed as Administrator of the Plan.

The Notice generally described the Plan and stated that a copy of the Plan could be obtained by going to <http://www.sec.gov/litigation/admin/34-53572-pdp.pdf> or by submitting a written request to Luke T. Cadigan, Senior Trial Counsel, United States Securities and Exchange Commission, 33 Arch Street, 23rd Floor, Boston, Massachusetts, 02110. The Notice also stated that any persons desiring to comment on the Plan had to do so, in writing, no later than May 1, 2006.

On April 9, 2006, Al Bloushi filed a timely, written objection to the Plan. In his objection, Al Bloushi suggested, in sum and substance, that it would not be fair to deny him the ability to participate in the distribution of the Fair Fund given that he was no less deceived and harmed by RJFS's conduct than Fitzhenry and Monlezun. After careful consideration of Al Bloushi's objection, the Commission has concluded that the Plan should be approved without modification.

As noted above, Chief ALJ Murray's Initial Decision concluded that RJFS could not be held liable for the representations made by its registered representative to Al Bloushi, and that decision has become final. As such, there is no basis to consider him as one of the victims of RJFS's violations, as determined on the record in this proceeding.² In light of and consistent with the Chief ALJ's finding, the Division's proposal to limit the distribution to Fitzhenry and Monlezun is appropriate.

Accordingly, pursuant to Rule 1104 of the Commission's Rules on Fair Fund and Disgorgement Plans, 17 C.F.R. § 201.1104,

IT IS ORDERED that the Plan is approved;

IT IS FURTHER ORDERED that Luke T. Cadigan is appointed as Administrator of the Plan in accordance with the terms of the Plan;

IT IS FURTHER ORDERED that the distribution of the RJFS Fair Fund may proceed in accordance with the terms of the Plan; and

IT IS FURTHER ORDERED that once the Administrator of the Plan has submitted to the Commission's Office of Financial Management the necessary information for the payment of the distributions to Fitzhenry and Monlezun, the funds shall be distributed to them.

² Because Al Bloushi was not a party to this proceeding, this conclusion does not affect his ability to pursue any claims against RJFS that might otherwise be available to him.

By the Commission.

Nancy M. Morris
Secretary