

# Public Finance Investment Strategies Group

(A business unit of Raymond James & Associates, Inc.)

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This Brochure provides information about the qualifications and business practices of Public Finance Investment Strategies Group ("PFISG" or "Adviser"). If you have any questions about the contents of this Brochure, please contact us at the above listed information. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

PFISG is a part of Public Finance Investment Debt Investment Banking department of Raymond James & Associates, Inc. ("RJA") a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about RJA is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Form ADV Part 2A Brochure (“Brochure”), dated April 24, 2020, is the disclosure document for Public Finance Investment Strategies Group and has been prepared as a supplement to the Raymond James & Associates, Inc. brochure. Raymond James & Associates, Inc. is a full service investment adviser and broker-dealer and you can find more information on all of its advisory service offerings in its disclosure brochure at: [adviserinfo.sec.gov](https://adviserinfo.sec.gov).

You will receive a summary of any material changes to this and subsequent brochures within 120 days of the close of the fiscal year, which ends September 30. We may provide other ongoing disclosure information about material changes, as necessary.

We will further provide you with a new brochure, as needed at any time, based on changes or new information, without charge.

This section describes the material changes to Public Finance Investment Strategies Group’s Brochure since its last annual amendment on December 20, 2019.

There have been no material changes since the last annual amendment.

### Item 3 - Table of Contents

Item 2 – Material Changes.....	ii
Item 3 – Table of Contents .....	iii
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation.....	5
Item 6 – Performance-Based Fees and Side-By-Side Management.....	6
Item 7 – Types of Clients .....	6
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Item 9 – Disciplinary Information.....	7
Item 10 – Other Financial Industry Activities and Affiliations .....	12
Item 11 – Code of Ethics .....	14
Item 12 – Brokerage Practices .....	15
Item 13 – Review of Accounts .....	16
Item 14 – Client Referrals and Other Compensation .....	17
Item 15 – Custody.....	17
Item 16 – Investment Discretion .....	17
Item 17 – Voting Client Securities.....	17
Item 18 – Financial Information.....	18

## **Item 4 – Advisory Business Advisory Services**

### **4. A. Advisory Firm Description**

Public Finance Investment Strategies Group (“PFISG”) is a part of the Public Finance Debt Investment Banking department of Raymond James & Associates, Inc. (“RJA”) which is registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”). RJA is a wholly owned subsidiary of Raymond James Financial, Inc. (“RJF”), a publicly held corporation based in Saint Petersburg, Florida. RJA has been registered with the Securities and Exchange Commission (“SEC”) as a broker-dealer since 1962 and as an investment adviser since 1974. Public Finance Investment Strategies Group, with its principal place of business located in Saint Petersburg, Florida was formed as a separate business unit within the Public Finance Debt Investment Banking Department in 2012.

RJA is a full service investment adviser and broker-dealer offering a variety of advisory services to its clientele. This Brochure is focused solely on PFISG advisory services. Please refer to RJA’s Brochure for more information on the other advisory services offered by RJA, which is available upon request.

### **4. B. Types of Advisory Services**

PFISG provides fixed income investment advisory and management services to institutional or sophisticated investor clients. PFISG specializes in the evaluation of investment alternatives, development of investment strategy and execution of procurement strategy once a vehicle (s) have been chosen by the client. In many instances, PFISG is retained primarily to execute a competitive procurement strategy to enable the client to acquire a portfolio of eligible defeasance obligations (fixed income securities) to accomplish the defeasance of previously issued municipal bonds. The procurement of the portfolio (s) of the fixed income securities routinely involves execution of a competitive bid process subject to IRS bid regulations. Additionally, PFISG may assist clients with evaluation of investment opportunities relating to other funds, including project/construction, reserve, capitalized interest, bond, and other funds often associated with proceeds generated from the sale of bonds in the primary market. The spectrum of potential typical solutions for these funds as well as those not necessarily created from the issuance of primary market bonds can involve the procurement of instruments that are routinely bid out such as laddered portfolios of fixed income securities, commercial paper, brokered certificates of deposit, collateralized bank deposit agreements, bank time deposit agreements, repurchase agreements (“REPO’s”), unsecured investment contracts (“GIC’s), and forward delivery agreements (“FDA’s). PFISG may also be retained to assist clients with the termination of existing REPO’s, GIC’s and/or FDA’s. PFISG may also be retained to assist clients with the purchase of specifically identified municipal fixed income securities, brokered CD’s, and other fixed income securities for the debt service reserve funds or other accounts associated with primary market municipal bond offerings or other accounts unrelated to bond offerings.

Additionally, PFISG may assist client with evaluation of investment policies, procurement of asset managers, and the evaluation of money market alternatives. All of the above services leverage our background, knowledge, and relationships within the universe of investment providers with regards to these vehicles.

Depending upon the scope of the assignment, our Investment Adviser Representatives (IARs) are fiduciaries working as partners with our clients to 1) evaluate potential investment alternatives; 2) develop an investment strategy that meets the client’s capital preservation, liquidity and yield objectives, and 3) execute procurement of the chosen investment vehicle(s).

### **4. C. Client On-Boarding Process**

The PFISG group IARs provides each client with a Contract and this Brochure and the applicable IAR’s Form ADV Part 2B (“Brochure Supplement”). The contract delineates the anticipated scope of services associated with the assignment and the associated PFISG fees.

As appropriate, clients will provide PFISG:

- the definition of potential defeasance obligations that will govern the potential eligible securities the client can purchase for purposes of defeasing prior bonds;
- definition of permitted investments that will govern the potential spectrum of investment solutions with respect to proceeds generated from bond proceeds;
- investment policy; and/or
- other documentation necessary to enable PFISG to effect its scope of services
- PFISG has established procedures and controls to help ensure compliance with each client's specific investment guidelines and any client-imposed restrictions.

#### **4. D. Wrap Fee Programs**

PFISG does not participate in wrap fee programs.

#### **4. E. Assets Under Management**

As of September 30, 2019, RJA had \$203.947 billion in assets under management, \$153.695 billion of which was managed on a discretionary basis and \$50.251 billion of which was managed on a non-discretionary basis. PFISG, as of September 30, 2019, had \$11.5 million in assets under management, all of which was advised on a non-discretionary basis. RJA's assets under management are inclusive of PFISG's assets under management.

### **Item 5 – Fees and Compensation**

#### **5. A. Adviser Compensation**

PFISG fees are usually priced on a fixed fee per client engagement or hourly basis, however, fees may be based upon assets under administration and can vary by the services provided. Billing for fixed fees associated with a specific transaction will take place upon closing. Payment can be agreed between the client and PFISG to be made from either the client or the winning investment provider (based upon the procurement process) on a fully disclosed basis. Hourly fees can be based upon general activities or specific activities associated with a specific transaction, as delineated in the contract.

Fees may vary for service provided as outlined in the Client Agreement.

#### **5. B. Direct Billing of Advisory Fees**

Generally, PFISG will invoice clients for their advisory fees as indicated in the engagement agreement between client and PFISG. Engagement agreement may also identify certain expenses of PFISG that client may be required to reimburse, including but not limited to air travel, hotel, food and other miscellaneous expenditures. For additional information concerning the frequency of billing/fee deductions, refer to the "Adviser Compensation" section of Item 5. A. above.

#### **5. C. Other Non-Advisory Fees**

Generally, it is not envisioned that PFISG will have engagements resulting in non-advisory fees. Clients are responsible, but under no obligation, to implement any recommendations made by PFISG. In addition to the consulting fee, clients may incur certain other fees and charges to implement PFISG's recommendations. Additional charges and fees will be imposed by custodians, brokers, third party investments and other third parties. Such expenses could include those as applicable, from bond or client counsel and/or a municipal advisor.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

This item is not applicable to the services described in the brochure.

## **Item 7 – Types of Clients**

PFISG serves as investment adviser to public sector and not-for-profit clients as well as stand-alone LLC's associated with project financings. PFSIG may also serve as adviser to clients that are the issuers of taxable or tax-exempt non-municipal bonds. PFSIG may also serve as adviser to sophisticated investors.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### **8. A. Methods of Analysis and Investment Strategies**

PFISG as part of its scope of services may be retained to evaluate investment alternatives and to develop an investment strategy. PFISG will meet with (potentially via conference call) clients to discuss risk tolerances, investment timing, liquidity needs, and confirm amount of investable funds (and potential withdrawal or subsequent cash-flow need dates and amounts). Once a strategy has been developed, PFISG is typically also retained to execute the procurement of the selected investment vehicle (s).

PFISG may be called on to evaluate various eligible investment vehicles as dictated by client's bond indentures, applicable state statutes, governing investment policies, and/or investment objectives. Typical strategies involve side by side comparison of one investment vehicle versus another in terms of potential yield, estimated interest earnings, and potential risk characteristics. Analysis to determine estimated yield and earnings is based upon expected investment periods and then current market rates for the vehicles under analysis. In order to conduct such analysis, PFISG utilizes either industry or proprietary software, or combinations thereof.

In the instance where clients direct PFISG to procure securities for the defeasance of existing outstanding debt with a portfolio of securities where the portfolio will be pre-determined for potential bidders, PFISG will analyze the securities to be included in the procurement solicitation. In these instances, individual security selection is based on the assessment of relative value, its ability to fund necessary cash-flow requirements, and its contribution to total portfolio risk and potential return.

### **8. B. Material Risks of Investment Strategies**

Fixed income investment involves various levels of risk, including the possible loss of some or all of the principal amount invested. Investment risk will be consistent with policy and management tolerances. PFISG offers no guarantees with regard to strategies or investments. Strategies proposed may be adversely affected by numerous factors including general, economic, legislative, and market conditions.

Liquidity may be affected by low trading volume and general market conditions. Pricing may be impacted by changes in market liquidity. Purchase and sale activity will be considered within the context of the overall timing of cash-flow needs, individual client risk tolerances and market conditions.

Accuracy of Public Information. PFISG strategies are based, in part, on information obtained from various government agencies or other non-issuer related sources. Although PFISG evaluates and seeks independent corroboration of information obtained from these sources, PFISG is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.

Market Risk. Investments are subject to market pricing and liquidity. Fluctuations in value may occur depending on general market conditions, sector specific changes or collateral considerations. Valuations may be impacted by factors unrelated to the value or condition of its issuer or collateral. Changes in valuations occurring at the time of investment may impact the performance. Analysis of investment pricing history or timing is not guaranteed to be accurate and could result in variance to valuations depending on timing.

## **8. C. Material Risks of Securities/Investment Vehicles Used in Investment Strategies**

Sector Focus Risk – Sector concentrations and capital exposure to given sectors will be determined by a client's board approved Investment Policy or by board designee or overall investment objectives and any specific asset allocation identified by a sophisticated investor. Exceptions to the provided policy will be documented.

Credit Risk – If debt obligations held in a portfolio are downgraded by ratings agencies, default, or another action reduces the issuers' ability to pay principal and interest when due, the investment value may decline and a client's value may be adversely affected.

Derivatives Risk – Investments in derivatives involve risks associated with the underlying asset. Additionally, the risks associated with the derivative may be different or greater than the risks affecting the underlying assets.

Interest Rate Risk – Investment value can be influenced by changes in interest rates. Longer duration investments will likely see greater volatility in value with more significant rate movement. Prepayment/Extension Risk – Changes in interest rate risk can either increase or decrease the amount and timing of anticipated cash flows.

Risks Affecting Specific Issuers – Investment value may be adversely impacted by changes to a specific issuer. Changes including but not limited to management concerns, corporate disruption, political factors, financial results/expectations or competitive position can result in changes to both liquidity and value.

Counterparty Risk – Investment value may be impaired by reduction in a counterparty's credit rating and/or insolvency. Downgrade below pre-defined rating threshold (s) may require curative action on the part of a client's counterparty, and if not forthcoming, may result in a return of the investment in advance of its planned maturity date. Additionally, insolvency may result in a partial or full loss of principal and/or a need to file a claim in bankruptcy court with respect to the investment.

Early termination risk - Client may be exposed to make whole payment to counterparty on investment vehicle due to early termination due to an event of default on the part of either the client or the counterparty. Such make whole payment may be substantial and is a function of the remaining term of the contract, changes in interest rates since entry into the contract and other factors.

## **Item 9 – Disciplinary Information**

Below is a summary of the material legal and disciplinary events against RJA during the last ten years. As of the date of this brochure, there are no such reportable events for PFISG personnel or those individuals in senior management responsible for determining the general investment advice provided to our clients through PFISG.

RJA operates as both a broker-dealer and as an investment adviser. The disciplinary reporting requirements for broker-dealers and investment advisers differ in some ways, with FINRA requiring broker-dealers to report on matters which are not required to be reported by investment advisers (for example, pending complaints

and arbitrations). The information in this report is not the only resource you can consult. You can access additional information about our firm and our management personnel on the SEC's website, located at [adviserinfo.sec.gov](http://adviserinfo.sec.gov), as well as FINRA's website, at [brokercheck.finra.org](http://brokercheck.finra.org). As a dually registered broker-dealer and investment adviser, RJA is subject to the regulatory oversight of the SEC, FINRA, the Department of Labor and other federal and state regulatory agencies. Please note that in each instance described below, the firm entered into the various orders, consents and settlements without admitting or denying any of the allegations.

## **AUCTION RATE SECURITIES ("ARS") MATTERS**

- In connection with ARS, our principal broker-dealers, RJA and RJFS, were subject to investigations by the SEC and certain states led by Florida's Office of Financial Regulation, and the Texas Securities Board regarding the sale of ARS. On June 29, 2011, RJA and RJFS finalized settlements with the SEC and other regulatory authorities, concluding investigations by the regulators into RJA'S and RJFS's offer and sale of ARS.

The SEC alleged that RJA violated Section 17(A)(2) of the Securities Act of 1933, and certain states alleged that RJA violated various state securities statutes when it offered and sold to some of its customer's auction rate securities ("ARS") while not accurately characterizing or while failing to adequately disclose the true nature and risks associated with these investments. Although RJA'S ARS trade confirmations disclosed the risk that ARS auctions could fail and that RJA was not obliged to ensure their success, at the point-of-sale, a handful of RJA'S financial advisors inaccurately described ARS as alternatives to money market funds and other cash- like investments, without adequately disclosing the auction process or the risk of illiquidity if these auctions failed. On February 13, 2008, a significant number of ARS auctions failed, resulting in an overall market collapse that left thousands of investors, including some of RJA'S customers, holding ARS that they had, in some instances, not been able to liquidate. Without admitting or denying the allegations, RJA consented to an order to cease and desist, a censure, and the following undertakings: (i) to purchase eligible ARS held by eligible customers; (ii) to use its best efforts to provide institutional money managers opportunities to liquidate their eligible ARS; (iii) to use its best efforts to identify and locate customers who purchased eligible ARS at RJA but who transferred such eligible ARS away from the firm prior to January 1, 2006; (iv) to identify, and repay excess expenses and reasonable interest incurred by eligible customers who took out loans from RJA after February 13, 2008 secured by eligible ARS that were not successfully auctioning at the time the loan was taken and who paid interest associated with the ARS-based portion of those loans in excess of the total interest and dividends received on the eligible ARS during the duration of the loan; (v) to use its best efforts to identify any customer who purchased eligible ARS on or before February 13, 2008; and subsequently sold those eligible ARS below par between February 13, 2008 and June 29, 2011, and to repay the customer any difference between par and the actual price at which they sold or redeemed the eligible ARS, plus reasonable interest; and (vi) to participate, at the election of an eligible customer, in the special arbitration procedures announced by FINRA on December 16, 2008, for the exclusive purpose of arbitrating an eligible customer's claim for consequential damages against the firm related to their ARS investment.

No fines were imposed by the SEC under the settlement agreement. A fine in the amount of \$1.75 million was imposed by the state regulators. States and territories involved in the settlement include Florida, Texas, Alabama, Alaska, Arkansas, Colorado, Delaware, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, North Dakota, Ohio, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Utah, Vermont, Virginia, U.S. Virgin Islands, Washington, Washington DC, West Virginia, Wisconsin and Wyoming.



## **SECURITIES AND EXCHANGE COMMISSION**

- The SEC determined that Raymond James failed to adopt and implement adequate policies and procedures designed to collect, track and disclose commissions attributable to certain equity transactions executed away from Raymond James by SMA Managers selected by clients participating in the Raymond James Consulting Services separately managed account program (RJCS). As a result, Raymond James's ability to determine whether recommendations of SMA Managers in the RJCS program would be suitable for its clients may have been impaired, and the ability of clients to engage in meaningful negotiations regarding the RJCS program's wrap fees may have been negatively affected. Raymond James consented to the SEC's findings, without admitting or denying that it violated certain provisions of the Investment Advisers Act of 1940, including Section 206 and Rule 206(4)-7 thereunder. On September 8, 2016 Raymond James consented to the findings and agreed to pay a civil monetary penalty of \$600,000, and will comply with certain undertakings related to its commission disclosure practices, including the reporting to clients of equity trades executed by firms other than Raymond James and the associated costs assessed by these firms, enhanced disclosures related to the practice of trading away from Raymond James and enhanced monitoring of SMA Managers that trade away from Raymond James.

On September 17, 2019, Raymond James & Associates, Inc., Raymond James Financial Services, Inc., and Raymond James Financial Services Advisors, Inc. (collectively, "Raymond James") settled a matter with the SEC where Raymond James had not properly conducted suitability reviews for certain advisory accounts, inadvertently overvalued certain assets that resulted in charging excess advisory fees, did not consistently have a reasonable basis for recommending certain unit investment trust ("UIT") transactions to brokerage customers, and failed to disclose the conflict of interest associated with earning greater compensation when recommending certain securities without providing applicable sales-load discounts to brokerage customers. The issues occurred at various time from January 2013 through May 2018, and not every account was impacted by these issues.

Raymond James promptly undertook a number of remedial efforts, which included voluntarily retaining compliance consultants to comprehensively review its UIT transactions and advisory valuation practices, and revising its policies and procedures regarding the supervision of advisory accounts. Without admitting or denying the findings, Raymond James will pay restitution of \$11,098,349.01 and interest of \$1,072,764.80. Raymond James will also pay a civil money penalty in the amount of \$3,000,000 to the SEC. On September 3<sup>rd</sup>, Raymond James sent notices of pending credits to impacted clients. Certain states including Michigan (which fined RJA in the amount of \$50,000) have made inquiries into this matter as well.

## **FINANCIAL INDUSTRY REGULATORY AUTHORITY ("FINRA")**

- FINRA alleged that RJA violated FINRA Rule 2010 and NASD Rules 2110, 2510(D)(1), 3010 and 3110 by; (i) failing to mark "Time and Price Discretion" on order ticket in accordance with order ticket designation requirements, causing the firm to maintain inaccurate books and records; (ii) failing to update certain of its electronic order management systems to satisfy the specificity requirements; (iii) failing to exercise reasonable supervision by not having adequate systems or procedures in place to cause the firm to be in compliance with these requirements and produce certain order ticket data in connection with regulatory requests. On January 11, 2010 RJA consented to the described sanctions and entry of findings and was ordered to pay a fine in the amount of \$100,000 and required to commence a thorough review of its practices and procedures concerning compliance with the rules identified herein.
- FINRA alleged that RJA violated FINRA Rule 2010, NASD Rules 2110, 2440, 3010, and Interpretive Material 2440-1 by utilizing an automated commission schedule that failed to ensure that resulting commissions were fair and reasonable when executing orders primarily in low-priced securities. As a result, FINRA alleged the firm's failure to take into consideration the factors delineated in Interpretive

Material 2440-1(B) led to \$893,888.69 in excessive commissions being charged. On September 29, 2011 RJA consented to the described sanctions and entry of findings and was censured, ordered to pay a fine in the amount of \$225,000, pay restitution in the amount of the excessive commissions, plus interest, and required to pay restitution to customers not identified during the examination but otherwise covered under the allegations for the period between the conclusion of FINRA's examination and the firm's implementation of its revised automated commission schedule.

- FINRA alleged that RJA violated FINRA Rule 2010, NASD Rules 2110 and 2320 by failing to execute orders fully and promptly and in many of these transactions for or with a customer, it failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. On September 23, 2011 RJA consented to the described sanctions and entry of findings and was censured, ordered to pay a fine in the amount of \$12,500 and restitution in the amount of \$1,849.33, plus interest.
- FINRA alleged that RJA violated NASD Rules 2110 and 3010, and Rules 10(A) and 30 of Regulation S-P under the Securities Exchange Act of 1934 in connection with the disclosure of clients' personally identifiable information ("PII") by branch personnel to a non-affiliated third party without offering clients whose PII was provided an opportunity to opt-out of this disclosure in accordance with Regulation S-P. Some of this information subsequently became searchable on the internet. RJA immediately took corrective action to have the PII removed from the internet. In a separate incident, a RJA approved vendor mailed clients letters in which PII (an account number) was included on the envelope. In both incidents, RJA contacted affected clients with an offer of free credit monitoring and protection services. RJA has amended its written supervisory procedures in connection with the protection of PII and conducted mandatory training in the protection of PII to all associated persons, including branch office personnel. On September 13, 2012, RJA consented to the entry of findings and was censured, and ordered to pay a fine in the amount of \$250,000. To the firm's knowledge, no clients affected by the PII breaches have suffered any instances of identity theft or other actual damages.
- FINRA entered findings that RJA violated Municipal Securities Rulemaking Board ("MSRB") Rules G-17, G-27 and G-30(A) by: (i) engaging in 37 municipal securities transactions with certain of its brokerage clients at prices (including any mark-down or mark-up) that were not fair and reasonable, taking into account all relevant factors, including the firm's best judgment as to the securities' fair market value at the time of the transaction, the expense involved in effecting the trades, profit considerations, and the total value of the securities traded; and (ii) failed to reasonably design supervisory procedures to ensure it met its fair pricing obligations. On March 4, 2013, without admitting or denying FINRA's findings, RJA consented to the entry of findings and to the following sanctions, including a censure, a fine in the amount of \$75,000, payment of restitution to affected clients in the amount of \$25,603.28, plus interest, and an undertaking to revise its written supervisory procedures concerning municipal securities fair pricing requirements.
- FINRA entered findings that Raymond James violated Rule 10 of Regulation S-P under the Securities Exchange Act of 1934, FINRA Rules 2010 and 3110(a) and NASD Rule 3010(a) and (b) by causing certain newly-recruited registered representatives from other brokerage firms ("recruits") to disclose customers' personally identifiable information ("PII") to pre-populate Raymond James forms to aid in the transition of their accounts to Raymond James and its RJFS affiliate. The findings state that Raymond James failed to: (i) determine whether the recruits or their brokerage firms had obtained the clients' consent to share their PII, or provide these clients with notice of, and an opportunity to opt-out of Raymond James coming into receipt of their PII; (ii) establish and maintain reasonable written supervisory procedures to ensure compliance with Regulation S-P; (iii) prevent the improper solicitation of PII from recruits; (iv) adequately educate and train its staff on what constituted PII and the circumstances in which it can be shared; and (v) demonstrate that its written supervisory procedures were being followed and enforced. On March 8, 2016, without admitting or denying FINRA's findings, Raymond James consented to the entry of findings and to the following sanctions, including a censure, a fine in the amount of \$500,000, and an undertaking to revise as necessary its

policies, procedures and internal controls.

- FINRA entered findings that Raymond James and its Anti Money Laundering (“AML”) Compliance Officer failed to: (i) establish and implement policies, procedures and supervisory systems to reasonably detect and cause the reporting of suspicious transactions; (ii) commit adequate resources to its AML program in light of the firm’s growth; (iii) adequately investigate suspicious activities its AML program did identify; (iv) reasonably enforce due diligence procedures for certain correspondent accounts of certain foreign financial institutions; and (v) establish, maintain and enforce a supervisory system reasonably designed to achieve compliance with Section 5 of the Securities Act of 1933 with respect to low priced securities. On May 18, 2016, Raymond James consented to the entry of findings and to the following sanctions, including a censure, a fine in the amount of \$8,000,000, and an undertaking to conduct a comprehensive review of its AML and supervisory policies, procedures, systems and training, and provide FINRA a report addressing: (i) the adequacy of its policies, procedures, systems and training; (ii) a description of the review that was performed and conclusions reached; and (iii) recommendations for modification and additions to the firms AML program.
- FINRA entered findings that Raymond James violated FINRA Rule 2010 and NASD Rule 3010 by failing to establish and maintain a reasonable supervisory system and related procedures in connection with its trading in convertible bonds. On March 2, 2017 Raymond James consented to the described sanctions and entry of findings and was censured, ordered to pay a fine in the amount of \$180,000 and ordered to revise its written supervisory procedures concerning the monitoring of its trading in convertible bonds.
- On November 6, 2019, FINRA entered findings that RJA, in its separate capacity as a broker-dealer, violated MSRB Rule G-27(a), (b), and (c) by failing to establish and maintain a supervisory system and establish, maintain, and enforce written supervisory procedures, reasonably designed to supervise representatives’ share-class recommendations to retail customers of 529 savings plans during the period of January 1, 2008 through March 31, 2017. RJA consented, without admitting or denying the findings, to the entry of a censure and agreed to pay restitution in the estimated amount of \$3,828,304 to certain 529 plan retail customers. As a result of RJA’s extraordinary cooperation to FINRA’s investigation, this matter was resolved without a monetary fine.

#### **NEW YORK STOCK EXCHANGE, INC. (“NYSE”)**

- The NYSE determined that Raymond James failed to report positions to the Large Options Position Report (LOPR) and inaccurately reported positions in other cases. The findings stated the Raymond James LOPR reporting violations primarily resulted from its entry of an incorrect effective date when submitting certain options positions to the LOPR and its failure to properly aggregate certain of its reportable options positions. The findings also stated that the firm failed to have a reasonable supervisory system with respect to the reporting of options positions, including a review for accuracy of LOPR submissions with respect to effective dates and accounts acting in concert. Additionally, until November 2015, the firm lacked any written supervisory procedures with respect to the proper reporting of options positions, including systems of follow-up and review, and thereafter, failed to have adequate written supervisory procedures until January 2017. On May 8, 2018, Raymond James was censured and fined a total of \$400,000, of which \$200,000 was paid to NYSE ARCA, Inc. and the remaining amount was paid to NYSE American, LLC. Additionally, Raymond James will submit a written report confirming it has completed remediation of all the LOPR issues identified within 120 days of May 8, 2018.
- The NYSE determined that during the period from January 1, 2014, through August 31, 2016, Raymond James violated certain provisions of the Market Access Rule for institutional counterparties for which Raymond James provides trade execution and clearing services, namely: (1) Rule 15c3-5 of the Securities Exchange Act of 1934, by failing to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial and regulatory risks of its business activity; and (2) NYSE Rule 3110 and former NYSE Rule 342, by

failing to establish and maintain a supervisory system reasonably designed to achieve compliance with applicable laws, rules, and regulations, in connection with its: (1) calculation and implementation of certain customer credit limits; (2) determination of certain erroneous order controls; and (3) conducting of annual reviews. Raymond James was censured and consented to a \$400,000 fine on October 19, 2018.

## STATE OF FLORIDA

- The State of Florida, Office of Financial Regulation (State of Florida), entered into a stipulation and consent agreement with David A. Sutton, Managing Director of the Public Finance Investment Strategies Group, a business unit of Raymond James and Associates, Inc. Raymond James did not submit an application with the State of Florida for Mr. Sutton's registration as an associated person of a federal covered adviser when Mr. Sutton relocated to Florida from Tennessee. An administrative fine of \$3,000 was imposed on Mr. Sutton and the State of Florida subsequently approved his registration application.

## Item 10 – Other Financial Industry Activities and Affiliations

The Public Finance Investment Strategies Group ("PFISG") is a part of the Public Finance Debt Investment Banking department of Raymond James & Associates, Inc. ("RJA"). RJA is a broker-dealer and an investment adviser registered with the Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investors Protection Corporation ("SIPC"). RJA is also a member of the New York, American, Chicago, Philadelphia, and Boston stock exchanges and the Chicago Board Options Exchange. RJA is a wholly-owned subsidiary of Raymond James Financial, Inc. ("RJF"), a publicly owned holding company (NYSE - RJF).

RJA, through RJF, is affiliated with Raymond James Financial Services, Inc. ("RJFS"), which is registered with the SEC and FINRA as a broker-dealer, and Raymond James Financial Services Advisors ("RJFSA"), which is registered as an investment adviser with the SEC. RJA acts as the clearing firm for those accounts and securities transactions introduced by RJFS and RJFSA. RJA offers its investment advisory services through various advisory account programs to its clients through financial advisors of RJA, RJFSA and certain correspondent firms and unaffiliated investment advisers.

RJA provides administrative services through the RJCS, MDA, Ambassador, Passport and OSM advisory account programs, and Financial Planning Services to clients through financial advisors of RJA, RJFSA, and certain correspondent firms and unaffiliated investment advisers. Please refer to the RJA or RJFSA's Form ADV Part 2A for additional details. Copies are available upon request.

Below is a listing of broker-dealers, investment advisers, mutual funds, bank and insurance agencies who are affiliated with PFISG and have material relationships to PFISG's business:

- a) **Carillon Tower Advisers, Inc. ("CTA")** is a wholly owned subsidiary of RJF. CTA is a corporation registered as an investment adviser with the SEC providing investment advisory services to the Carillon Family of Mutual Funds (formerly known as the Eagle Family of Mutual Funds) – a group of open end mutual funds registered as Investment Companies with the SEC.

CTA will select affiliated advisers to invest the assets in accordance with the mutual fund's investment objective and strategies. Each affiliated adviser is responsible for the investment decisions made on behalf of its respective mutual fund. Additionally, CTA provides investment advisory services to a group of non-registered investment companies ("Hedge Funds") called the Carillon Tower Series Hedge Fund, LLC. CTA selects affiliated advisers to invest the assets of each Series in accordance with that Series' Investment objective and strategies. Each affiliated adviser is responsible for the investment decisions made on behalf of its respective Series.

- b) **Eagle Asset Management, Inc. (“Eagle”)** is a wholly owned subsidiary of CTA. Eagle is as an investment adviser registered with the SEC, and acts as an investment adviser to individuals, corporations, foundations, pension and profit sharing plans, state and municipal government entities. Eagle also acts as a subadviser to the Carillon Family of Mutual Funds. Additionally, Eagle also is a subadviser to various investment companies and wrap programs with affiliated (through the RJCS and EHNW programs) and unaffiliated broker dealers. CTA provides certain administrative, marketing, and compliance services to Eagle for a monthly fee.
- c) **Scout Investments Inc. (“Scout”)** is a wholly owned subsidiary of CTA. Scout is an investment adviser registered with the SEC and acts as an investment adviser to mutual funds, corporations, foundations, pension and profit sharing plans, state and municipal government entities. Reams Asset Management (“Reams”) is the fixed income division of Scout. Scout/Reams also act as a subadviser to the Carillon Family of Mutual Funds. CTA provides certain administrative, marketing and compliance services to Scout/Reams for a monthly fee.
- d) **ClariVest Asset Management LLC (“ClariVest”)** is an investment adviser registered with the SEC and 100% owned by affiliated investment adviser, Eagle Asset Management. CTA has contracted with ClariVest to provide investment management services for the Carillon Tower Series Hedge Fund Micro Cap Market Neutral Fund. ClariVest also acts as sub-adviser to various investment companies, including the Carillon Family of Mutual Funds.
- e) **Carillon Fund Distributors Inc. (“CFD”)** is Eagle’s wholly owned subsidiary. CFD is the Carillon Family of Mutual Fund’s principal underwriter and distributor. In addition to selling the Carillon Family of Mutual Funds to its clients, CFD enters into selling agreements with other affiliated and unaffiliated broker-dealers and other financial intermediaries to distribute and provide other services relative to the purchase of fund shares.
- f) **Carillon Fund Services, Inc. (“CFS”)** is a wholly owned subsidiary of CTA. CFS, provides certain shareholder services for the Carillon Family of Mutual Funds in conjunction with U.S. Bancorp Fund Services, LLC, the transfer and dividend disbursing agent for the Carillon Family of Mutual Funds.
- g) **Carillon Family of Mutual Funds**
- |  | <b>Affiliated Manager</b> |
|--|---------------------------|
| • Carillon Eagle Growth & Income Fund          | Eagle                     |
| • Carillon Eagle Small Cap Growth Fund         | Eagle                     |
| • Carillon Eagle Mid Cap Growth Fund           | Eagle                     |
| • Carillon ClariVest Capital Appreciation Fund | ClariVest                 |
| • Carillon ClariVest International Stock Fund  | ClariVest                 |
| • Carillon Cougar Tactical Allocation Fund     | Cougar                    |
| • Carillon Reams Core Bond Fund                | Scout/Reams               |
| • Carillon Reams Core Plus Bond Fund           | Scout/Reams               |
| • Carillon Reams Unconstrained Bond Fund       | Scout/Reams               |
| • Carillon Scout Mid Cap Fund                  | Scout                     |
| • Carillon Scout Small Cap Fund                | Scout                     |
| • Carillon Scout International Fund            | Scout                     |

RJA affiliates act as general/managing partners of partnerships (both public and private) for which RJA’S and its affiliated broker-dealers’ clients may from time to time be solicited as limited partners. RJA does not invest assets of its advisory clients’ accounts in such limited partnerships. Officers and employees of RJF and its subsidiaries may have investment interests in such partnerships.

## **INTERCOMPANY PAYMENTS BETWEEN AFFILIATES**

In addition to the aforementioned compensation arrangements, RJA and its affiliates make certain intercompany

payments to compensate each other for performing various administrative services. Intercompany payments received or paid by RJA or its affiliates may be terminated, modified, or suspended at any time.

PFISG's IARs are also registered representatives of RJA. PFISG IARs only service friends and family accounts in their capacity as RJA registered representatives. No advisory clients are assigned to PFISG persons as registered representatives. PFISG does not recommend or select other investment advisers for their clients.

PFISG addresses conflicts in a variety of ways, including, disclosure of various conflicts in this brochure. Moreover, PFISG's IARs are required to recommend investment advisory services and investment products that are appropriate based upon the client's investment policy statement and/or mandates. In addition, PFISG has established a variety of restrictions, procedures and disclosures designed to address conflicts of interest – both those arising between and among accounts as well as between accounts and our business.

## **Item 11 – Code of Ethics**

### **11. A. Code of Ethics Document**

PFISG has adopted RJA's Code of Ethics pursuant to SEC rule 204A-1 of the Investment Advisers Act of 1940, as amended. A basic tenet of RJA's Code of Ethics is that the interests of clients are always placed first. The Code of Ethics includes standards of business conduct requiring covered persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its clients. PFISG will provide a copy of RJA's Code of Ethics to any client or prospective client upon request.

### **11. B. Personal Trading**

PFISG has adopted a Code of Ethics intended, among other things, to ensure that personal investing activities by PFISG employees are consistent with PFISG fiduciary duty to its clients. The Code of Ethics includes standards of business conduct requiring covered persons to comply with the federal securities laws and the fiduciary duties an investment adviser owes to its clients.

For purposes of monitoring personal investing activities of PFISG employees, PFISG has determined that all PFISG employees are access persons. The Fixed Income Compliance and the Associate Activities Supervision departments within RJA monitor the investing activities within PFISG employee accounts.

In order to avoid potential conflicts of that could be created by personal trading among PFISG access persons, access persons who maintain accounts outside of RJA must provide quarterly reports of their personal transactions within 30 days of the end of each calendar quarter, which may consist of monthly brokerage statements for all accounts in which they have a beneficial interest, to the CCO or the CCO designee. Alternately, access persons may direct their brokers to provide trading activity data electronically for all personal securities transactions in which they have a beneficial ownership interest.

The Code also requires that all access persons comply with ethical restraints relating to clients and their accounts, including restrictions on gifts and provisions intended to prevent violations of laws prohibiting insider trading.

### **11. C. Timing of Personal Trading**

PFISG access persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that PFISG or a related person recommends to clients. PFISG access persons must refrain from participating in trading activity that is in conflict with the policies established in the Code of Ethics, such as front running or trading ahead. The price paid or received by a client account for any security should not be

affected by a buying or selling interest on the part of an access person, or otherwise result in an inappropriate advantage to the access person.

## **11. D. Recommendations of Securities and Material Financial Interests**

PFISG may from time to time enter into principal transactions with clients. A principal transaction is a transaction where PFISG, will utilize one or more of the Raymond James fixed income trading desks to buy a security from, or sell a security to, the account of a client. PFISG may, at times, effect principal transactions for its investment advisory clients that have entered into non-discretionary investment advisory agreements, provided that the principal transaction is executed in compliance with Section 206(3) of the Advisers Act. Specifically, the following:

- PFISG will provide its clients with written prospective disclosures regarding the conflicts arising from principal trades and obtain the client's consent before execution and/or the settlement of each principal transaction;
- PFISG will obtain written consent from each client authorizing PFISG to enter into principal transactions;
- PFISG will send to the client confirmation statements disclosing the capacity in which PFISG has acted and disclosing that PFISG informed the client that it may act in a principal capacity and that the client authorized the transaction; and

There may be potential conflicts of interest or regulatory issues relating to these transactions which could limit PFISG decision to engage in these transactions for accounts. Principal and cross transactions create the potential for advisers to engage in self-dealing: PFISG has developed policies and procedures which address such conflicts of interest and any principal or cross transaction will be affected in accordance with fiduciary requirements, applicable law, and internal policy. PFISG will do so only to the extent consistent with its duty to obtain best execution for the client and with appropriate client consent.

Only PFISGs potential conflicts of interest concerning recommendations of securities and other material financial interests are addressed in this Brochure. Please refer to RJA's Brochure for potential conflicts of interest concerning recommendations of securities and other material financial interests that apply to RJA due to its other business lines. A copy is available upon request.

## **Item 12 – Brokerage Practices**

### **12. A. Selection of Broker-Dealers**

Transactions involving instruments that do not easily afford the client the ability to procure them via competitive bid may be effected directly between the client and a broker-dealer or other financial institution ("Counterparty").

PFISG's objective in selecting Counterparties and in effecting portfolio or securities transactions is to seek best execution with respect to its accounts' portfolio transactions. The best net price, giving effect to brokerage commissions, spreads and other costs, is normally an important factor in this decision, but a number of other factors are considered. In applying these factors, PFISG recognizes that different Counterparties may have different execution capabilities with respect to types of securities. The factors include, but are not limited to:

- the nature of the security being traded;
- the size and type of the transaction;
- the nature and character of the markets for the security to be purchased or sold;
- the desired timing of the trade and speed of execution;
- the activity existing and expected in the market for the particular security;

- the ability of the Counterparty to effect transactions when a large block of securities is involved or where liquidity is limited;
- confidentiality;
- the execution, clearance and settlement capabilities and history as well as the reputation and perceived soundness of the Counterparty selected and others which are considered;
- the Counterparty's execution services rendered on a continuing basis and in other transactions;
- the Counterparty's access to underwriting offerings and secondary markets;
- the Counterparty's reliability in executing trades, keeping records and accounting for and correcting trade errors;
- the quality of communication links between PFISG and the Counterparty; and
- the reasonableness of spreads.

#### Research and Other Soft Dollar Benefits

PFISG does not maintain any formal soft dollar arrangements.

The overriding consideration in selecting counterparties is the maximization of client returns through a combination of controlling transaction and securities costs and seeking the most effective uses of counterparties' research and execution capabilities.

#### Brokerage for Client Referrals

PFISG does not maintain any referral arrangement with broker-dealers.

#### Directed Brokerage

PFISG does not direct clients to use specific broker dealers.

### **12. B. Aggregation of Orders**

This item is not applicable to the services described in the brochure.

#### **Administrative Trade Errors:**

This item is not applicable to the services described in the brochure.

### **Item 13 – Review of Accounts**

#### **13. A. Frequency and Nature of Review**

Certain client assignments may involve production of account statements, which show account value, positions and performance, which are furnished to client. Other written reports may include client letters which discuss PFISG market commentary. Reviews of accounts occur on an on-going basis. Client meetings may take place as needed and such meetings may be conducted in person or via teleconference. PFISG may provide additional reports to clients upon request.

#### **13. B. Factors That May Trigger an Account Review Outside of Regular Review**

This item is not applicable to the services described in the brochure.

#### **13. C. Content and Frequency of Reports**

See 13. A.



## **Item 14 – Client Referrals and Other Compensation**

PFISG may pay or receive referral fees to persons or firms ("Solicitors") for introducing clients to us or for PFISG referring clients to them. Any solicitation arrangement will be in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this Brochure and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor;
- the client must acknowledge in writing this arrangement.

The receipt of a referral fee creates a conflict of interest as PFISG and its investment adviser representatives may refer potential clients to an affiliate which might not otherwise result in a recommendation if there was no payment. PFISG addresses this conflict of interest by disclosing the terms of the referral relationship and related referral compensation to the referred client. Clients should understand that the referral by a PFISG IAR does not obligate the client to open an account through one of our affiliates. PFISG participation in these referral arrangements does not diminish its fiduciary obligations to its clients.

Only PFISG arrangements, conflicts of interest, or potential conflicts of interest are addressed in this Brochure. Please refer to RJA's Brochure for specific compensation arrangements that apply to RJA due to its other business lines. A copy is available upon request.

## **Item 15 – Custody**

PFISG does not have custody of client funds or securities

## **Item 16 – Investment Discretion**

PFISG does not use discretion on client investments.

## **Item 17 – Voting Client Securities**

PFISG purchases fixed income debt securities that are non-voting.

## **INVESTMENTS IN ISSUERS SUBJECT TO LEGAL PROCEEDINGS**

Neither RJA nor PFISG, where applicable, will render any advice to or take any actions on behalf of clients with respect to the initiation or pursuit of any legal proceedings, including bankruptcies and shareholder litigation, to which any securities or other investments transacted or held in client accounts, or the issuers thereof, become subject. The right to take any actions with respect to any legal proceedings, including bankruptcies and shareholder litigation, and the right to initiate or pursue any legal proceedings, including shareholder litigation, with respect to transactions, securities or other investments held in a client account is the client's responsibility.

**Item 18 – Financial Information**

RJA is a qualified custodian as defined in Rule 206(4)-2 of the Investment Advisers Act, and is therefore not required to include a balance sheet for its most recent fiscal year. RJA is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients nor have we been the subject of a bankruptcy proceeding in the past ten years.