

# Public Finance Investment Strategies Group

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

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This Form ADV Part 2A brochure ("Brochure") provides information about the qualifications and business practices of Public Finance Investment Strategies Group ("PFISG"). PFISG is a part of the Public Finance Investment Debt Investment Banking department of Raymond James & Associates, Inc. ("RJA"), a registered investment adviser. If you have any questions about the contents of this Brochure, please contact PFISG at the above listed information.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration as 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 Since the Last Update**

This section describes the material changes to Public Finance Investment Strategies Group's Form ADV Part 2A brochure ("Brochure") since its last annual amendment on December 21, 2020. PFISG is a part of the Public Finance Investment Debt Investment Banking department of Raymond James & Associates, Inc. ("RJA"). This Brochure, dated December 21, 2021 has been prepared according to the U.S. Securities and Exchange Commission's ("SEC") disclosure requirements.

Each year, a client 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, at no additional charge to the client. PFISG may provide other ongoing disclosure information about material changes, as necessary.

The following material change(s) to this Brochure have occurred since its last annual amendment:

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

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

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

Public Finance Investment Strategies Group (“PFISG”) is a part of the Public Finance Investment Debt Investment Banking department within Raymond James & Associates, Inc. (“RJA”). PFISG, 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 wholly owned subsidiary of Raymond James Financial, Inc. (“RJF”), a publicly held corporation based in Saint Petersburg, Florida. RJA is registered, since 1962, with the SEC as a broker-dealer and as an investment adviser, since 1974. Registration as an investment adviser with the SEC does not imply a certain level of skill or training. For clarity, we refer to PFISG as the provider of institutional investment advisory services. However, with respect to the services further described below, RJA is the legal entity providing the investment advisory services.

As used in this Brochure, the words “we,” “our,” “our Firm,” “the Firm,” “PFISG,” and “us” refer to PFISG and your investment adviser representative (“IAR”), and the word “client” refers to you as either a client or prospective client of our Firm.

As of September 30, 2021, RJA had approximately \$331.150 billion in assets under management, approximately \$237.966 billion of which was managed on a discretionary basis and approximately \$93.183 billion of which was managed on a non-discretionary basis. PFISG, as of September 30, 2021, had approximately \$238.890 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.

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

PFISG provides fixed income investment advisory and management services to institutional or sophisticated investor clients.

In its role as a bidding agent, PFISG specializes in the evaluation of investment alternatives, development of investment strategy and execution of procurement strategy once a vehicle(s) has 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 ladderized portfolios of fixed income securities, commercial paper, brokered certificates of deposit, collateralized bank deposit agreements, bank time deposit agreements, repurchase agreements (“REPO’s”), unsecured government 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. In addition, 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, depending upon the defined scope of services, PFISG may assist clients with the evaluation of investment policies, procurement of asset managers, and the evaluation and/or purchase of money market alternatives, local government and/or investment pools and bank products. 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, in partnership with the client, PFISG IARs: 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**

PFISG IARs provides each client with a Client Agreement ("Agreement"), this Brochure and the applicable IAR's Form ADV Part 2B ("Brochure Supplement"). The Agreement delineates the anticipated scope of services associated with the assignment and our associated 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 affect its scope of services.

Investment advisory and management services may be tailored, within a fixed income framework, for your client specific needs and objectives, and clients may impose restrictions on investing in certain securities or types of securities. 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 or manage wrap fee programs.

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

#### **4. A. PFISG Compensation**

In PFISG's capacity as the Bidding Agent, our 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. Compensation associated with the bid (based upon the procurement process) is paid by the client or the winning provider on the client's behalf 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 Agreement.

For certain advisory services, as agreed upon and disclosed in the Agreement, clients pay an annual asset-based fee which is calculated as a percentage of assets under management. The annual fee associated with these services are typically payable quarterly, in arrears, based on the account value as reported by the Custodian as of the last business day of the previous calendar quarter.

Fees may vary for service provided as outlined in the Agreement and may change over time. Different fee schedules may apply to different types of clients and advisory arrangements. Clients may pay more or less than the fee paid by other clients. Fees may be negotiated on a basis different from our stated fee schedules, if circumstances warrant, and we reserve the right to waive or reduce the fees charged to a particular client, at our discretion. Clients can incur additional expenses outside of the advisory fee charged by PFISG; more information about those expenses is provided in the "**Additional Expenses Incurred Outside**

of PFISG's Advisory Fees" section below.

## **Compensation**

Neither PFISG nor any of its supervised persons accepts compensation for the sale of securities or other investment products, other than regular salary and bonus in their capacity as PFISG employees. Through RJA, PFISG may engage in principal transactions. Please refer to the **Recommendations of Securities and Material Financial Interests** (Item 11) section for additional information involving principal transactions, consent requirements and associated conflicts of interest.

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

Generally, PFISG will invoice clients for their advisory fees as indicated in the Agreement. For additional information concerning the frequency of billing/fee deductions, refer to the PFISG Compensation (Item 5.A) section above.

### **5. C. Additional Expenses Incurred Outside of PFISG's Advisory Fees**

Clients are responsible, but under no obligation, to implement any recommendations made by PFISG. In addition to the advisory or transaction 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. These expenses could include those as applicable, from bond or client counsel and/or a municipal advisor. For additional information, please refer to the **Brokerage** ("Item 12) section.

The Agreement may also identify certain expenses that PFISG IARs may incur that you, as the client, may be required to reimburse, including but not limited to air travel, hotel, food and other miscellaneous expenditures.

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

PFISG and its IARs do not manage any accounts or provide advisory services where we are compensated under a performance-based arrangement.

## **Item 7 – Types of Clients**

PFISG provides investment advisory services to public sector and not-for-profit clients, stand-alone LLC's associated with project financings, issuers of taxable or tax-exempt non-municipal bonds and sophisticated investors. Generally, PFISG does not provide advisory services to retirement plans covered by the Employment Retirement Income Security Act of 1974 (ERISA). PFISG reserves the right, in its sole discretion, to determine the minimum assets to be advised.

## **Termination of Advisory Services**

Each Agreement with us may be terminated at any time upon providing written notice to us, subject to the terms of the client Agreement. Termination of the Agreement will end this service engagement or the investment advisory relationship between the client and PFISG. In addition, PFISG will be owed for any reimbursable expense that PFISG has incurred, but not yet invoiced to the client, and/or for work performed by PFISG, up to the point of the effective termination date, unless noted otherwise in the Agreement. We will have no further obligation to recommend or take any action with respect to the terminated agreement.

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

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

We may be retained to evaluate investment alternatives and to develop an investment strategy. We will meet with (potentially via conference call) clients to discuss risk tolerances, investment time horizon, 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, we are typically also retained to execute the procurement of the selected investment vehicle(s).

We may 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, we use 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, we 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.

Internal Revenue Service ("IRS") Circular 230 Disclosure: Our Firm, affiliates, agents, and employees are not in the business of providing tax, regulatory, accounting, or legal advice. This Brochure and any tax-related statements provided by us are not intended or written to be used, and cannot be used or relied upon, by any taxpayer for the purpose of avoiding tax penalties. Taxpayers should seek advice based on the taxpayer's particular circumstances from an independent tax professional.

Accuracy of Public Information: Our strategies are based, in part, on information obtained from various government agencies or other non-issuer related sources. Although we evaluate and seek independent corroboration of information obtained from these sources, we cannot guarantee the accuracy, reliability, completeness or availability of this information.

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

Clients should understand that investing involves risk, including the possible loss of some or all of the principal amount invested. Investment risk will be consistent with policy and management tolerances. We offer no guarantees with regard to strategies or investments. Strategies proposed may be adversely affected by numerous factors including general, economic, legislative, and market conditions. While not an all-inclusive list, the following are types of investment risks that could affect the value of a client portfolio, depending on the selected investment product(s) and the portfolio of investments:

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.

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 reportable events for PFISG personnel or those individuals in senior management responsible for determining the general investment advice provided to our clients.

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 RJA 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).

Please note that in each instance described below, RJA entered into the various orders, consents and settlements without admitting or denying any of the allegations.

## **Securities and Exchange Commission**

- 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. 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.

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.

- On September 8, 2016, 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. 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")**

- On September 13, 2012, 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. 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.
- On March 4, 2013, 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. 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.
- On March 8, 2016, 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. 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.

- On May 18, 2016, 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. 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.
- On March 2, 2017, 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. 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")**

- On May 8, 2018, 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. 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.

- On October 19, 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.

## **State of Florida**

- On July 16, 2018, 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 in 2017. 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**

RJA is registered with the SEC as a broker-dealer under the Exchange Act and as an investment adviser under the Advisers Act. In its capacity as a broker-dealer, RJA is a member of FINRA, the Securities Investors Protection Corporation ("SIPC"), and various exchanges within the United States. If required for their positions with our registered broker-dealer, our principal executive officers, directors and others with similar statuses are securities licensed as registered representatives through RJA.

PFISG IARs are also registered representatives and investment adviser representatives through RJA. In addition to the services provided to their institutional clients, PFISG IARs are authorized to provide investment advisory services to retail clients and are authorized to make recommendations in their transactional business relationships with retail clients.

## **Material Business Relationships**

Through RJF and RJA, we are affiliated with broker-dealers, investment advisers, mutual funds, a bank, a trust company, limited partnerships and insurance agencies. A chart of those material relationships and arrangements we have with advisory affiliates and other parties under common control with our Firm is provided below. Following the chart is a description of associated material conflicts and how we address them. For more information about these and other affiliated entities, please refer to RJA's Brochure, which is available upon request. Only those affiliated entities material to PFISG business are included in this section.

Type of Entity	Affiliate Name	Description of Services Performed	Ownership Relationship
<u>Dual Registrant: Broker-Dealer and Investment Adviser</u>	Raymond James & Associates, Inc.	Dual licensed representatives provide brokerage services and advisory services to clients. RJA acts as the clearing firm for those accounts and securities transactions introduced by representatives of RJFS and RJFSA.	Wholly owned subsidiary of RJF
<u>Broker-Dealer(s)</u>	Raymond James Financial Services, Inc.	RJFS is an introducing broker and registered representatives of RJFS provide brokerage services to their clients	Wholly owned subsidiary of RJF
<u>Investment Adviser(s)</u>	Raymond James Financial Services Advisors, Inc.	Investment adviser representatives of RJFSA provide investment advisory services; RJA-sponsored programs are available to RJFSA clients.	Wholly owned subsidiary of RJF
	Carillon Tower Advisers, Inc.	Provides investment advisory services to its proprietary mutual funds, the Carillon Family of Mutual Funds.	Wholly owned subsidiary of RJF
	Eagle Asset Management, Inc.	Acts as a subadviser to the Carillon Family of Mutual Funds; Acts as an SMA Manager or Model Manager in certain RJA advisory programs	Wholly owned subsidiary of CTA
	Scout Investments Inc.	Acts as a subadviser to the Carillon Family of Mutual Funds; Has other third-party investment advisory arrangements	Wholly owned subsidiary of CTA
	ClariVest Asset Management LLC	Subadviser to various investment companies, including Carillon Family of Mutual Funds; Has other third-party investment advisory arrangements	Wholly owned subsidiary of Eagle
	Cougar Global Investments LLC	Acts as a subadviser to Carillon Family of Mutual Funds; Acts as a Model Manager in certain RJA advisory programs	Wholly owned subsidiary of Raymond James International Canada

## 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.

## Conflicts of Interest Associated with Our Business Arrangements with Our Affiliates

PFISG, through our IARs, may suggest or recommend that you use our services or the services of an affiliate. When you use our services or our affiliate's services or products, PFISG and/or our affiliates receive fees and compensation (the amount of which may vary) in connection with these products and services. Therefore, we have an incentive to recommend our services or those of our affiliates over other non-affiliated products and services available. This has the potential to, but may not necessarily, result in additional assets under management with our Firm and/or our affiliates. In no case are you under any obligation to purchase any products or services sold by us or our affiliates. The compensation received by your IAR may be greater when offering products and services to you through their different relationships with RJA and our affiliates.

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, we have 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 third-parties

and our business.

## **Item 11 – Code of Ethics**

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

PFISG has adopted RJA's Code of Ethics ("the Code") pursuant to Rule 204A-1 of the Investment Advisers Act of 1940, as amended ("Advisers Act"). A basic tenet of RJA's Code is that the interests of clients are always placed first.

The Code reflects standards of business conduct, which govern our fiduciary obligations and addresses conflicts of interest between our advisory personnel and our advisory clients. For purposes of monitoring personal investing activities of PFISG employees, we have determined that all PFISG employees are access persons. The Code requires that our access persons comply with applicable federal securities laws, report violations of the Code, and report their personal transactions and holdings in certain securities periodically. The Fixed Income Compliance and the Associate Activities Supervision departments within RJA monitor the investing activities within PFISG employee accounts. The Code also requires that all access persons comply with ethical restraints relating to clients and their accounts, including restrictions on gifts.

Additionally, through RJF, we have established and maintain procedures in compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988. These procedures outline a Firm-wide policy statement on compliance with insider trading policies that are designed to prevent and detect any misuse of non-public information by the Firm, our associated persons, and other employees. These procedures have been distributed to all associated persons and employees of the Firm. The procedures include provisions for defining "insider" material, monitoring associated persons and employee securities accounts, restricting access to affiliates' sensitive material, and restrictions on trading.

PFISG will provide a copy of its Code to any client or prospective client upon request.

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

RJA affiliates act as general/managing partners of partnerships (both public and private) for which RJA 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. Directors, principal executive officers and employees of our Firm and our affiliates may buy, sell, or hold, a position in securities, for their own or a related account, identical to the securities recommended to you. It is our policy that no individual will put his or her interest before your interests. Our Firm, employees, and our associated persons may not trade ahead of any client or trade in a way that would cause our Firm, employees, or associated persons to obtain a better price than a client would obtain.

In order to avoid potential conflicts 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.

### **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. Our access persons must refrain from

participating in trading activity that is in conflict with the policies established in the Code, 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.

### **Advice Provided to One or More Clients May Conflict**

PFISG and its IARs perform advisory services for various other clients. As a result of differences in client objectives, stated goals, strategies, and risk tolerance, PFISG and its IARs may provide advice to those other clients that differ from the advice given to you.

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

A principal transaction is a transaction where RJA, on behalf of PFISG, acting in its own account, buys a security from, or sells a security to, the account of a client. PFISG will use one or more of the Raymond James fixed income trading desks to effect these transactions. PFISG or RJA may, at times, effect principal transactions for our investment advisory clients that have entered into non-discretionary investment advisory agreements. Prior to engaging in these transactions, we will obtain client consent and will disclose all material information concerning the transaction to the client, in accordance 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; and

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.

There may be potential conflicts of interest or regulatory issues relating to these transactions which could limit our decision to engage in these transactions for accounts. Principal transactions create the potential for advisers to engage in self-dealing. We have developed policies and procedures which address conflicts of interest and any principal transaction will be effected in accordance with fiduciary requirements, applicable law, and Firm policy. Clients may revoke consent to engage in principal transactions at any time by notifying us in writing.

Only our 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").

Our objective in selecting Counterparties and in effecting portfolio or securities transactions is to seek best execution with respect to our 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, we recognize 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.

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.

#### **Research and Other Soft Dollar Benefits**

PFISG does not maintain any formal soft dollar arrangements.

#### **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**

Under an engagement or bidding agent arrangement, the PFISG IAR performs the services agreed upon in the Agreement.

IARs providing regular investment advice or investment supervisory services (with the exception of



engagement or bidding agent services), perform reviews of accounts on an on-going basis. Client meetings may take place as needed and may be conducted in person or via teleconference. Certain client assignments may involve production of account statements, which show account value, positions and performance, which are furnished to you. Other written reports may include client letters which discuss our market commentary. Depending on the arrangement and as noted in the Agreement, we will provide account statements on a quarterly basis. PFISG may provide additional reports to clients upon request.

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

The timing and nature of account reviews are dictated by a variety of factors. These factors include the following: cash flows in or out of the account, changes in the client's objectives or restrictions, and changing market conditions.

### **Item 14 – Payment for Client Referrals**

PFISG does not receive an economic benefit from a non-client for providing investment advice or other advisory services to our advisory clients. RJA and other affiliates may receive economic benefits from non-clients which are fully described in their respective disclosure brochures. Only our 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.

From time to time, our Firm and our IARs receive referrals or leads of potential clients from third-parties in exchange for cash compensation (each a "third-party solicitation arrangement"). PFISG and its IARs may also enter into other types of solicitation arrangements, including solicitation arrangements with our affiliates. Any third-party solicitation arrangement or solicitation arrangement with our affiliates entered into by PFISG Firm and a solicitor is operated pursuant to a written agreement in accordance with Rule 206(4)-3 under the Advisers Act. Our Firm and our IARs pay cash compensation to the solicitor in the form of a percentage of asset-based advisory fees received from a referred client.

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;
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor; and
- the client must acknowledge in writing this arrangement.

The advisory fees paid by any referred client are neither increased nor reduced as a result of the compensation paid to a solicitor by our Firm or our IARs.

For financial institutional clients referred to us by bankers within the Public Finance Investment Debt Investment Banking Department division, a portion of the advisory fee clients pay us is shared with the banker (solicitor) in the form of cash compensation, as outlined above.

A referral agent or solicitor is subject to conflicts of interest arising from these referral or solicitor arrangements, because the solicitor is being paid to recommend our firm, as investment adviser, to a client, and the solicitor will only receive payment if the client ultimately decides to become our advisory client. We address this conflict of interest by disclosing the terms of the referral relationship and related referral compensation to the referred client, as described above. In addition, clients should understand that a referral by our IAR does not obligate the client to open an account through one of our affiliates. Our

participation in these referral arrangements does not diminish our fiduciary obligations to our clients.

### **Item 15 – Custody**

PFISG does not have custody (as defined under the Advisers Act) of client funds or securities in our advisory programs. However, RJA is a qualified custodian and has custody of other client funds and securities. Please refer to the **Financial Information** (Item 18) section for more information.

We urge clients to carefully review and compare official custodial records to any reports that we provide. Our reports may vary slightly from custodial statements based on accounting procedures, reporting dates, and/or valuation methodologies of certain securities. We encourage clients to immediately inform us of any discrepancy noted between the custodian records and the reports clients receive from us.

### **Item 16 – Investment Discretion**

PFISG does not provide investment advisory services on a discretionary basis.

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

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

### **Investments in Issuers Subject to Legal Proceedings**

On occasion, securities held in a client portfolio may become the subject of legal proceedings, including bankruptcies and shareholder litigation. Clients have 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 the client account. Clients are not obligated to join other parties as a requirement to initiating or participating in any proceeding. Neither RJA nor PFISG provide legal advice and will not file any claims on the client's behalf.

### **Item 18 – Financial Information**

RJA is a qualified custodian as defined in Rule 206(4)-2 of the 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 has it been the subject of a bankruptcy proceeding in the past ten years.