

1 II.

2 FINDINGS OF FACT

3 3. Respondents are each in the business of effecting transactions in securities in
4 Montana as a "broker-dealer" within the meaning of Mont. Code Ann. § 30-10-103(1)(a).

5 4. Respondents have customers located across the United States of America, including
6 Montana.

7 5. Prior to February 13, 2008, Respondents sold financial instruments known as
8 auction rate securities ARS to Montana residents.

9 ARS

10 6. ARS are bonds or preferred stocks that have interest rates or dividend yields that
11 are periodically reset through an auction process, typically every seven (7), twenty-eight (28), or
12 thirty-five (35) days.

13 7. ARS are usually issued with thirty (30) year maturities, but ARS maturities can
14 range from five years to perpetuity.

15 8. ARS can be attractive investments to investors because ARS may offer slightly
16 higher yields than various alternative products, including forms of cash alternative products.

17 9. An ARS yield is determined by the periodic auctions (commonly referred to as
18 "Dutch" auctions) during which ARS are auctioned at par.

19 10. ARS can be bought or sold at par at one of these periodic Dutch auctions.

20 11. Under the typical procedures for an ARS auction in effect prior to February 13,
21 2008, an investor, including a customer of either Respondent, who wished to purchase ARS at
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1 auction, submitted a bid that included the minimum interest or dividend rate that the investor
2 would accept.

3 12. ARS holders could either choose to keep their securities until the next auction or
4 submit offers to sell their ARS.

5 13. An auction agent collected all of the bids and offers for a particular auction.

6 14. The final yield rate at which the ARS were sold was the "clearing rate" and the
7 clearing rate applied to that particular ARS until the next auction.

8 15. Bids with the lowest rate and then successively higher rates were accepted until all
9 ARS sell orders were filled.

10 16. The clearing rate was the lowest rate bid sufficient to cover all ARS offered for sale
11 in the auction.

12 17. If there were not enough bids to cover the ARS offered for sale in an auction, then
13 an auction would fail.

14 18. In a failed auction, investors who want to sell are not able to do so and such
15 investors must hold their ARS until at least the next auction.

16 19. In the event of a failed auction, an ARS issuer pays the holders a maximum rate or
17 "penalty" rate, which is either a flat rate or a rate based on a formula set forth in the ARS
18 offering documents.

19 20. Penalty rates might be higher or lower than the prior clearing rate or market rates on
20 similar products.

21 21. To facilitate the auction process, issuers of ARS selected one or more broker-
22 dealers to underwrite an offering and/or manage an auction process.

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1 that RJA routinely bid in MARS auctions to prevent a failed auction, maintain an orderly market,
2 or set a particular clearing rate. For example, some of Respondents' registered representatives
3 and financial advisors did not adequately disclose to customers that their ARS could become
4 illiquid for an indeterminate period of time in the event of an auction failure.

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6 33. The information described in Paragraphs 31 through 32 was material to
7 Respondents' customers.

8 34. Respondents should have known that their registered representatives and financial
9 advisors marketed ARS to customers as highly liquid and as an alternative to cash or money
10 market funds without adequately disclosing that ARS are complex securities that may become
11 illiquid.

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13 35. In connection with the marketing of ARS, Respondents failed to adopt policies and
14 procedures reasonably designed to ensure that its registered representatives and financial advisors
15 recommended ARS only to customers who had stated investment objectives that were consistent
16 with their purchase of ARS. Some of Respondents' registered representatives and financial
17 advisors recommended ARS to customers as a liquid, short-term investment. As a result, some
18 of Respondents' customers who needed short-term access to funds invested in ARS even though
19 ARS had long-term maturity dates, or in the case of ARPS and TARS, no maturity dates.

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21 III.

22 CONCLUSIONS OF LAW

23 36. The State Auditor is the Commissioner of Securities pursuant to Mont. Code Ann.
24 §§ 2-15-1901 and 30-10- 107 with jurisdiction over this matter pursuant to Mont. Code Ann.
25 §§ 2-15-1901, 30-10-102, 30-10-107, 30-10-201, and 30-10-301.
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1 Laslovich, 840 Helena Avenue, Helena, Montana 59601, as a monetary penalty, which amount
2 constitutes Montana's proportionate share of the total state settlement amount of \$1,750,000.00.
3 In the event another state securities regulator determines not to accept Respondents' settlement
4 offer, the total amount of the payment to the state of Montana shall not be affected.
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6 5. Respondents shall take certain measures with respect to current and former
7 customers with respect to "Eligible Auction Rate Securities," as defined below in Paragraph
8 IV.6.

9 6. "Eligible Auction Rate Securities." For purposes of this Order, "Eligible Auction
10 Rate Securities" means auction rate securities purchased from Respondents on or before
11 February 13, 2008, and that have failed at auction at least once since February 13, 2008.
12 Notwithstanding the foregoing definition, the term "Eligible Auction Rate Securities" shall not
13 include auction rate securities that were purchased at Respondents in accounts owned, managed
14 or advised by or through correspondent broker-dealers or unaffiliated registered investment
15 advisers.
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17 7. "Eligible Investors." For purposes of this Order, "Eligible Investors," shall mean
18 the following:

19 (1) Any investor that purchased Eligible Auction Rate Securities from Respondents
20 on or before February 13, 2008, did not transfer such Eligible Auction Rate Securities away from
21 Respondents prior to January 1, 2006, and held those securities on February 13, 2008.
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23 (2) "Eligible Investors," for the purposes of this Order, shall not include institutional
24 money managers.
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1 (3) “Eligible Investors,” for the purposes of this Order, shall not include customers
2 who resolved their ARS claims through arbitration proceedings or negotiated settlements with
3 Respondents.

4 8. Purchase Offer. Respondents shall offer to purchase, at par plus accrued and
5 unpaid dividends/interest, from Eligible Investors their Eligible Auction Rate Securities that have
6 failed at auction at least once since February 13, 2008 (the “Purchase Offer”).
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8 9. Notification and Buyback Procedures.

9 a. Respondents shall create a written notice related to the Purchase Offer (the
10 “Notice”). The Notice shall explain the relevant terms of this Order and describe what Eligible
11 Investors must do to accept, in whole or in part, the Purchase Offer, including how Eligible
12 Investors may accept the Purchase Offer.
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14 b. Initial Notice

15 i. Respondents shall provide the Notice to Eligible Investors who purchased Eligible
16 Auction Rate Securities from Respondents by no later than thirty (30) days from June 29, 2011.

17 ii. Furthermore, Respondents shall undertake their best efforts to identify and locate
18 customers who purchased Eligible ARS from Respondents but who transferred such Eligible
19 ARS away from Respondents prior to January 1, 2006, by no later than thirty (30) days from
20 June 29, 2011. Respondents will provide any such customers the Purchase Offer described in
21 Section IV.8, the Notification and Buyback Procedures described in Section IV.9, and the other
22 terms described in Sections IV.11, IV.12, and IV. 13.
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24 c. Second Notice
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1 With respect to each Eligible Investor that Respondents sent the Notice required by
2 Paragraph IV.9.b above and who did not respond, Respondents shall provide a second copy of
3 the Notice on or before forty-five (45) days before the end of Offer Period, as defined below.

4 d. Offer Period

5 i. Respondents shall keep the Purchase Offer open for seventy-five (75) days after
6 mailing the Initial Notice as required by Paragraph IV.9.b, above ("Offer Period").
7

8 ii. Eligible Investors may accept the Purchase Offer by notifying Respondents as
9 described in the Purchase Offer, at any time before 11:59 P.M. Eastern Time, on or before the
10 last day of the Offer Period. For those Eligible Investors who accept the Purchase Offer within
11 the Offer Period, Respondents shall purchase their Eligible Auction Rate Securities by no later
12 than five (5) business days following the expiration of the Offer Period.
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14 e. An Eligible Investor may revoke their acceptance of Respondents' Purchase Offer at
15 any time up until Respondents' purchase of such Eligible Investor's Eligible Auction Rate
16 Securities or provide notice of their intent to purchase such Eligible Auction Rate Securities.

17 f. Respondents' obligation to those Eligible Investors who custodied their Eligible
18 Auction Rate Securities away from Respondents as of the date of this Order shall be contingent
19 on: (1) Respondents receiving reasonably satisfactory assurances from the financial institution
20 currently holding the Eligible Investor's Eligible Auction Rate Securities that the bidding rights
21 associated with such Eligible Auction Rate Securities will be transferred to Respondents; (2) the
22 Eligible Investor reactivating their former account with Respondents; and (3) the transfer of the
23 Eligible Auction Rate Securities to the Eligible Investor's former account with Respondents.
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1 g. Respondents shall use their best efforts to identify, contact and assist any Eligible
2 Investor who has transferred the Eligible Auction Rate Securities out of Respondents' custody in
3 returning such Auction Rate Securities to Respondents' custody, and shall not charge such
4 Eligible Investor any fees relating to or in connection with the return to Respondents or
5 custodianship by Respondents of such Eligible Auction Rate Securities.
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7 10. Customer Assistance. Within two (2) days of June 29, 2011, Respondents shall
8 establish a dedicated toll-free telephone assistance line and web site to provide information and
9 to respond to questions concerning the terms of this Order, and to provide information
10 concerning the terms of this Order and, via an e-mail address or other reasonable means, to
11 respond to questions concerning the terms of this Order. Respondents shall maintain the
12 telephone assistance line for at least nine (9) months from the date of this Order.
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14 11. Relief for Eligible Investors Who Sold Below Par. Respondents shall use their best
15 efforts to identify each Eligible Investor who: (i) purchased Eligible Auction Rate Securities at
16 Respondents on or before February 13, 2008; and (ii) who sold those Eligible Auction Rate
17 Securities below par between February 13, 2008, and the date of this Order ("Below Par
18 Sellers"). Within seventy-five (75) days of June 29, 2011, Respondents shall pay each Below
19 Par Seller the difference between par and the price at which the Below Par Seller sold the
20 Eligible Auction Rate Securities, plus reasonable interest thereon. Furthermore, Respondents
21 will pay promptly the difference between par and the price at which the Below Par Seller sold the
22 Eligible Auction Rate Securities, plus reasonable interest thereon to any Below Par Sellers
23 identified more than seventy-five (75) days after this Order.
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12. Consequential Damages Arbitration Process.

a. Respondents shall consent to participate in a special arbitration process (“Arbitration”) for the exclusive purpose of arbitrating any Eligible Investor’s consequential damages claim arising from their inability to sell Eligible Auction Rate Securities. In the Arbitration, the Special Arbitration Process applicable to firms that have entered into settlements with state regulators (the “State SAP”) will be available for the exclusive purpose of arbitrating any Eligible Investor’s consequential damages claim: Respondents shall notify Eligible Investors of the terms of the Arbitration process through the Notice.

b. The Arbitration shall be conducted under the auspices of FINRA, pursuant to the NASD Code of Arbitration Procedures for Customer Disputes, eff. April 16, 2007. Respondents will pay all applicable forum and filing fees.

c. Any Eligible Investors who choose to pursue such claims in the Arbitration shall bear the burden of proving that they suffered consequential damages and that such damages were caused by their inability to access funds invested in Eligible Auction Rate Securities. In the Arbitration, Respondents shall be able to defend themselves against such claims; provided, however, that Respondents shall not contest liability for the illiquidity of the underlying auction rate securities position or use as part of their defense any decision by the Eligible Investor not to borrow money from either Respondent.

d. Eligible Investors who elect to use the Arbitration provided for herein shall not be eligible for punitive damages, or for any other type of damages other than consequential damages. However, the State SAP will govern the availability of attorney’s fees.

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13. Loan Interest Expense.

Respondents shall use their best efforts to identify Eligible Investors that obtained a loan through Respondents (or its affiliates) secured by Eligible Auction Rate Securities that were not successfully auctioning at the time the loan was taken and who paid more in interest on the loan than the Eligible Investor received in interest or dividends from the Eligible Auction Rate Securities during the time the loan was outstanding (“Negative Carry”). If the Eligible Investor can provide Respondents documentation evidencing the amount of Negative Carry, Respondents, on or before seventy-five (75) days from the date of this Order, will reimburse the Eligible Investor the amount of Negative Carry actually paid.

14. Best Efforts

Respondents will use their best efforts to provide the institutional money managers, within nine (9) months of the date of June 29, 2011, opportunities to liquidate their Eligible Auction Rate Securities including, but not limited to, facilitating issuer redemptions, restructurings, and through other reasonable means. Although Respondents are required to use their best efforts to liquidate Eligible Auction Rate Securities owned by the institutional money managers, the Respondents are not obligated to purchase the securities.

15. Reports and Meetings

a. Respondents shall submit a bi-monthly written report detailing Respondents’ progress with respect to the provisions of this Order within forty-five (45) days of the end of each month in which a report is required, beginning with a report covering the month ended after June 29, 2011, and continuing through and including a report covering the month ended nine (9)

1 months from June 29, 2011. This report shall be submitted to a representative specified by the
2 North American Securities Administrators Association ("NASAA").

3 b. Beginning 120 days after June 29, 2011, Respondents shall confer at least quarterly
4 with the representative specified by NASAA to discuss Respondents' progress with respect to the
5 provisions of this Order. Such quarterly conferences shall continue for nine (9) months from
6 June 29, 2011.
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8 c. The reporting and conference deadlines set forth above may be amended or modified
9 with written permission from the representative specified by NASAA.

10 16. This Order is not intended to indicate that Respondents or any of its affiliates or
11 current or former employees shall be subject to any disqualifications contained in the federal
12 securities law, the rules and regulations thereunder, the rules and regulations of self-regulatory
13 organizations or various states' securities laws including any disqualifications from relying upon
14 the registration exemptions or safe harbor provisions. In addition, this Order is not intended to
15 form the basis for any such disqualifications.
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17 17. Except in an action by Montana to enforce the obligations of Respondents in this
18 Order, this Order may neither be deemed nor used as an admission of or evidence of any alleged
19 fault, omission, or liability of Respondents in any civil, criminal, arbitration, or administrative
20 proceeding in any court, administrative agency, or tribunal. For any person or entity not a party
21 to this Order, this Order does not limit or create any private rights or remedies against
22 Respondents including, without limitation with respect to the use of any emails or other
23 documents of Respondents or of others concerning the marketing and/or sales of auction rate
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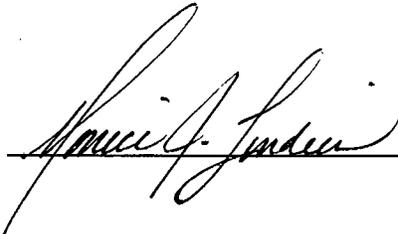
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securities, limit or create liability of Respondents, or limit or create defenses of Respondents to any claims.

18. This Order is not intended to disqualify Respondents or any of its affiliates or current or former employees from any business that they otherwise are qualified or licensed to perform under applicable state securities law and this Order is not intended to form the basis for any disqualification.

DATED this 12th day of September, 2011.

BY ORDER OF THE COMMISSIONER OF
SECURITIES AND INSURANCE,
MONTANA STATE AUDITOR



1 CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY RAYMOND JAMES &
2 ASSOCIATES, INC. AND RAYMOND JAMES FINANCIAL SERVICES, INC.

3 Raymond James & Associates, Inc. and Raymond James Financial Services, Inc.
4 (together "Raymond James") hereby acknowledges that it has been served with a copy of this
5 Consent Order, has read the foregoing Order, is aware of its right to a hearing and appeal in this
6 matter, and has waived the same.

7 Raymond James admits the jurisdiction of the Commissioner of Securities and Insurance,
8 Montana State Auditor (Commissioner), neither admits nor denies the Findings of Fact and
9 Conclusions of Law contained in this Order, and consents to entry of this Order by the
10 Commissioner as settlement of the issues contained in this Order.
11

12 Respondents shall not claim, assert, or apply for a tax deduction or tax credit with regard
13 to any state, federal, or local tax for any administrative monetary payment that Respondents shall
14 pay pursuant to this Order.

15 Raymond James states that no promise of any kind or nature whatsoever was made to it to
16 induce it to enter into this Order and that it has entered into this Order voluntarily.
17

18 Dennis W. Zank represents that he is President of Raymond James & Associates, Inc.,
19 and that, as such, has been authorized by Raymond James & Associates, Inc., to enter into this
20 Order for and on behalf of Raymond James & Associates, Inc.

21 Donald K. Runkle represents that he is Senior Vice President, Chief Compliance Officer
22 of Raymond James Financial Services, Inc., and that, as such, has been authorized by Raymond
23 James Financial Services, Inc., to enter into this Order for and on behalf of Raymond James
24 Financial Services, Inc.
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26 DATED this 15th day of Sept., 2011.

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RAYMOND JAMES & ASSOCIATES, INC.

By: D. W. Zank
Dennis W. Zank

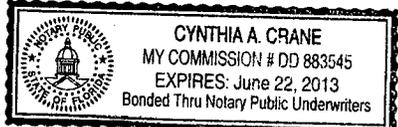
Title: President

STATE OF Florida)
County of Pinellas)

SUBSCRIBED AND SWORN TO before me this 1st day of September, 2011.

Cynthia A. Crane
Notary Public

My commission expires:



RAYMOND JAMES FINANCIAL SERVICES, INC.

By: Donald K. Runkle
Donald K. Runkle

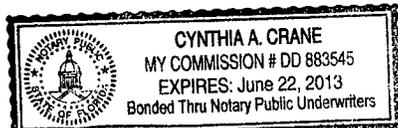
Title: Senior Vice President, Chief Compliance Officer

STATE OF Florida)
County of Pinellas)

SUBSCRIBED AND SWORN TO before me this 1st day of September, 2011.

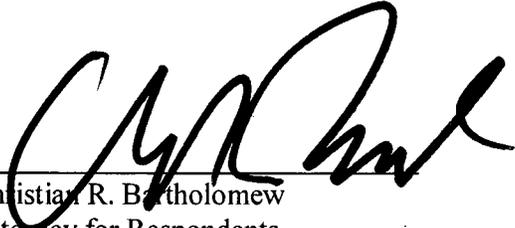
Cynthia A. Crane
Notary Public

My commission expires:



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The foregoing Administrative Consent Order
was reviewed and approved by:



Christian R. Bartholomew
Attorney for Respondents
Raymond James & Associates Inc., and
Raymond James Financial Service, Inc.

Date: 9/16/11