

State of Vermont
Department of Financial Regulation
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Susan L. Donegan, Commissioner

Contact: Dale Schaft, Information Management Officer, 802-828-4872

Date: June 30, 2016

Raymond James settles administrative enforcement matter with DFR Firm pays penalty, disgorges investor money for EB-5 involvement

MONTPELIER – Commissioner Susan L. Donegan announced today that the Department of Financial Regulation (DFR) has reached a \$5.95 million settlement with the securities broker-dealer firm Raymond James and Associates Inc.

As the result of its investigation of securities concerns in connection with the sale of interests in Vermont limited partnerships tied to Jay Peak-related EB-5 projects, DFR found multiple instances of non-compliance with supervisory requirements and Vermont law.

In April, DFR identified violations of Vermont securities laws by the Jay Peak principals and projects, which resulted in the filing of a civil lawsuit in Washington Superior Court alleging fraud. DFR's jurisdiction over Raymond James and its registered representatives is based on the licenses they hold to conduct the business of securities in Vermont.

Donegan said she is pleased to see this settlement because it recovers some of the EB-5 investors' money.

“DFR’s responsibility is to ensure that Vermont’s securities laws are followed, and that investors are protected, she said, “Since the SEC’s seizure of the Jay Peak-related EB-5 projects, investors have been rightly concerned about possible recovery of funds. This settlement contributes to their restitution.”

She explained that this activity originated from a Miami branch office of Raymond James and emphasized that none of the company’s Vermont offices or any Vermont individual salesperson or advisor participated in any improper activity in connection with this enforcement matter.

This agreement provides for the payment of \$4.5 million to the appointed federal receiver in the case *SEC v. Quiros* for the purpose of reimbursing possible claims by investors. Additionally,



\$200,000 will be paid to DFR for the cost of the investigation and \$1.25 million will be paid to Vermont's general fund as an administrative penalty.

A copy of the agreement is available on the DFR website.

STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION

IN THE MATTER OF:

RAYMOND JAMES AND ASSOCIATES, INC.)

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Docket No. 16- -5

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ADMINISTRATIVE CONSENT ORDER

WHEREAS, Raymond James and Associates, Inc. ("RJA or the Firm") is a registered broker-dealer incorporated in the state of Florida and registered to do business in Vermont; and

The Securities Division of the Vermont Department of Financial Regulation ("DFR" or "the Department"), as part of its investigation of securities concerns in connection with the sale of interests in Vermont limited partnerships tied to EB-5 projects, has investigated RJA's role, including the use of RJA accounts, the failure by RJA to follow Written Supervisory Procedures (WSPs) regarding supervision, letters of authorization, and electronic communications, and the failure by RJA to maintain reasonable WSPs regarding the cross-collateralization of margin accounts; and

RJA has cooperated with the Department in its investigation by responding to inquiries, providing documentary evidence and other materials; and

RJA has implemented certain changes in its supervision of Financial Advisors/Registered Associates and implemented certain changes in its WSPs as they relate to a) documenting client contact and supervisory approval on letters of authorization and b) the cross-collateralization of multiple margin accounts; and

RJA has agreed to make certain payments to the DFR; and;
RJA elects to permanently waive any right to a hearing and appeal under 9 V.S.A. Chapter 150, the Vermont Uniform Securities Act ("VUSA"), 3 V.S.A. Chapter 25, the Vermont Administrative Procedures Act; the rules, regulations and orders of the Commissioner of the Vermont Department of Financial Regulation ("the Commissioner"), with respect to this Administrative Consent Order ("the Order").

RJA, without admitting or denying the factual allegations herein, does hereby consent to the following Order.

NOW, THEREFORE, the Commissioner, as administrator of the VUSA, hereby enters this Order.

I. JURISDICTION AND AUTHORITY

1. RJA is subject to the jurisdiction of the Commissioner in this matter pursuant to the VUSA and consents to the entry of this Order.

II. PARTIES

1. RJA is a broker dealer registered in the State of Vermont, with Central Registration Depository ("CRD") number 705.

III. FACTUAL ALLEGATIONS

1. The "EB-5" program is a federal visa initiative designed to, among other things, give foreign investors a legal path to permanent residency in the United States through the investment of at least \$500,000 in projects that create a certain number of jobs in an economically targeted area, often a rural or economically depressed area.
2. Starting in 2006, Bill Stenger ("Stenger") sold to foreign investors limited partnership interests in eight Vermont limited partnerships tied to EB-5

construction projects (the "Limited Partnerships"). Interests in the Limited Partnership are securities under Vermont law.

3. Foreign investors placed their funds into an escrow account in a Vermont bank pending U.S. Customs and Immigration Services approval. Upon approval, the funds were released to the partnership and the investor became a limited partner in a specific Limited Partnership.
4. From 2008 through 2014, Ariel Quiros (Quiros) and Stenger used bank accounts, as well as brokerage and margin accounts at RJA, to transfer the Limited Partnership funds to and from different partnerships or entities.
5. Throughout this time, a registered representative (the "Registered Representative") was assigned to the RJA accounts.
6. In or about June 2008, Quiros had the Registered Representative open several brokerage accounts and at least four margin accounts at RJA, for Quiros, several Limited Partnerships under his financial control, and other entities connected with the Jay Peak ski resort in Vermont.
7. RJA failed to obtain adequate documentation establishing Quiros' authority to act on behalf of the limited partnerships.
8. The Registered Representative knew the Firm accounts would be funded by foreign investors' purchases of limited partnership interests as their participation in Vermont-based "EB-5" projects, most of which were engaged in real estate development at either Jay Peak or Burke Mountain ski area.
9. The Registered Representative permitted Quiros and the Limited Partnerships under his financial control to set up margin accounts collateralized by short term treasury bills purchased by the limited partnerships, with funds derived from the EB-5 program.

10. On June 23, 2008, the Registered Representative allowed Quiros to direct the transfer of \$13 million in Limited Partnership funds to purchase the Jay Peak ski resort despite written instructions advising that investor funds were not to be used for that purpose.
11. In connection with the payment of construction invoices as the projects moved forward, Partnership funds from multiple limited partnerships were transferred among multiple Firm accounts.
12. In light of Quiros' instructions to effect transfers of partnership funds through multiple accounts the Registered Representative knew or should have known certain transfers served no legitimate business purpose and that greater due diligence was appropriate.
13. Throughout the time Quiros-controlled entities held accounts at RJA, the Firm had WSPs requiring evidence of client contact and clear supervisory approval for each transfer of funds pursuant to a Letter of Authorization.
14. Throughout the time Quiros-controlled entities held accounts at RJA, the Firm had WSPs prohibiting communications with clients by text message absent specific prior supervisory approval. Despite these WSPs, the Registered Representative communicated with Quiros by text message, without any supervisory approval.
15. RJA had inadequate WSPs in place restricting the cross collateralization of margin loans.
16. Following notice of an investigation by the United States Securities and Exchange Commission (SEC) into Quiros and the Limited Partnerships in 2014, the Registered Representative was instructed to close the Quiros-related

margin accounts. The outstanding margin debt associated with prior projects was paid off with funds which had been invested in the AnCBio project.

17. The Registered Representative relied on LOAs from Quiros to direct the transfers of funds from RJA accounts; however, in certain instances the LOAs lacked evidence of supervisory approval, and lacked evidence of client contact.
18. The RJA Anti-Money Laundering (AML) department identified certain transfers of funds through multiple Quiros-controlled accounts without apparent business purpose and questioned why RJA continued to do business with Quiros.
19. The Quiros-controlled accounts were not closed at RJA until November 2014.
20. On April 12, 2016, the SEC filed suit against, inter alia, Quiros, Stenger, and the Limited Partnerships under their control. The State of Vermont filed a similar lawsuit on April 14, 2016.
21. On May 5, 2016, RJA executed a Letter of Acceptance, Waiver and Consent ("AWC") with the Financial Industry Regulatory Authority (FINRA) arising from the failure to establish and implement adequate AML controls.
22. The Registered Representative and his supervisor have withdrawn their registrations as broker-dealer agents in Vermont.

LAW

23. The Commissioner has jurisdiction over this matter pursuant to the VUSA.
24. The Limited Partnership interests sold by Quiros and Stenger are "securities" within the meaning of 9 V.S.A. 5102(28).

25. It was a violation of 9 V.S.A. 5412(d)(9) for RJA to allow the RJA accounts to be used in the manner they were used.
26. The failure to reasonably supervise the Registered Representative is a violation of 9 V.S.A. 5412(d)(9).
27. The failure to follow applicable WSPs regarding the processing of LOAs is a violation of 9 V.S.A. 5412(d)(9).
28. The failure to follow applicable WSPs regarding the supervision of associates is a violation of 9 V.S.A. 5412(d)(9).
29. Pursuant to 9 V.S.A. 5412(c), 5412(d)(9), and 5604, each of the above violations constitutes a basis for the imposition of administrative penalties.
30. The Commissioner finds the following relief appropriate and in the public interest.

ORDER

On the basis of the Findings of Fact and the Law, and Respondent consents to the entry of this Order without admitting or denying the facts and conclusions of law herein,

IT IS HEREBY ORDERED:

1. This Order concludes the investigation by the Commissioner and except as provided in Paragraphs 7 and 8 below, precludes any other action the Commissioner could commence under applicable Vermont law as it relates to the subject matter of the Commissioner's investigation.
2. This Order is entered into solely for the purpose of resolving the investigation and is not intended to be used for any other purpose. RJA does not admit any of the factual allegations contained herein.

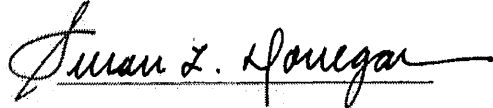
3. RJA shall cease and desist from violating Section 5412(d)(9) of the VUSA and will comply with all applicable provisions of the VUSA.
4. Within ten (10) business days of the date of this Order, RJA shall pay to the Department the sum of \$1,450,000, of which \$1,250,000 represents an administrative penalty and \$200,000 shall reimburse the DFR for its costs.
5. The Commissioner directs that within ten (10) business days of the date of this Order, RJA pay \$4,500,000 to the Receiver appointed in the matter entitled SEC v. Quiros, No. 1:16-cv-21301-DPG (S.D. Fla.) (the "SEC action") for the sole purpose of reimbursing claims by the EB-5 investors. The sum of \$2,750,000 represents the total revenues earned by RJA and the Registered Representative in connection with the Quiros-controlled accounts, and the balance represents restitution.
6. RJA will maintain WSPs relative to the collateralization of margin loans.
7. Nothing herein shall be construed as limiting the Commissioner's authority to conduct an investigation of RJA for reasons unrelated to the subject matter of this Order.
8. RJA acknowledges that the Commissioner shall not be precluded in any manner from seeking to subject it to further sanctions or enforcement proceedings for any alleged violation of this Order.
9. RJA consents to the entry of this Order and acknowledges its consent is given freely and voluntarily and that except as otherwise set forth herein, no promise was made to RJA to induce them to consent.
10. RJA acknowledges it is and has been represented by counsel in this matter and voluntarily waives its right to a hearing on this matter and to judicial review of this Consent Order under 9 V.S.A. Chapter 150, the Vermont Uniform Securities Act (VUSA); 3 V.S.A. Chapter 25, the Vermont Administrative Procedures Act and the rules, regulations and orders of the Commissioner.

11. RJA further acknowledges that the Commissioner retains jurisdiction over this matter for purposes of enforcing this Order.
12. This Order shall be governed and construed under the laws of the State of Vermont.
13. This Order shall be binding upon RJA and its affiliates and to all successors and assigns of RJA and its affiliates with respect to all conduct subject to the provisions above and all future obligations, responsibilities, commitments, restrictions and conditions.
14. The parties agree that this Consent Order does not assert any allegations of fraudulent, manipulative or deceptive conduct, or aiding and abetting the same. Further, this Consent Order is not intended to subject RJA or its affiliates or any current or former officers, directors, trustees, agents, members, partners or employees of RJA or RJA's affiliates to any disqualifications, or form the basis of any disqualifications, contained in the federal securities law, the rules and regulations of self-regulatory organizations or various states' (including Washington, D.C., Puerto Rico, Guam and the Virgin Islands) securities laws, including any disqualification from relying upon the registration exemptions or safe harbor provisions; (b) shall not disqualify RJA or its affiliates or any current or former officers, directors, trustees, agents, members, partners or employees of RJA and RJA's affiliates from any business that they are otherwise qualified or licensed to perform; (c) does not constitute a finding that RJA or its affiliates or any current or former officers, directors, trustees, agents, members, partners or employees of RJA or RJA's affiliates engaged in fraud, or serve as the basis for any future action to establish violation of the federal laws, rules or regulations of self-regulatory organizations; (d) for any person or entity not a party to this Consent Order, does not limit or create any private rights or remedies against RJA, limit or create liability of RJA, or limit or create defenses of or for RJA to any claims; and (e) pursuant to Rule 506(d)(2)(iii) and Rule 262(b)(3), disqualification under Rule 506(d)(1) and Rule

262(a) under the Securities Act of 1933 should not arise as a consequence of this
Consent Order.

Entered at Montpelier, Vermont this 29th day of June 2016

BY ORDER OF THE COMMISSIONER



Susan L. Donegan, Commissioner

Vermont Department of Financial

Regulation

AGREED AND ACCEPTED BY RAYMOND JAMES ASSOCIATES, INC:

