

**STATE OF ILLINOIS
SECRETARY OF STATE
DEPARTMENT OF SECURITIES**

IN THE MATTER OF: Raymond James Financial Services;
J. Stephen Putnam

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FILE NO. C0500010

NOTICE OF HEARING

TO THE RESPONDENT:

**Raymond James Financial Services
(CRD # 6694)
880 Carillon Parkway
St. Petersburg, FL 33716**

**J. Stephen Putnam (CRD# 369059)
880 Carillon Parkway
St. Petersburg, FL 33716**

You are hereby notified that pursuant to Section 11.E of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 69 W. Washington Street, Suite 1220, Chicago, Illinois 60602, on the 18th day of March, 2008, at the hour of 10:00 a.m., or as soon as possible thereafter, before Soula Spyropoulos, Esq. Or such duly designated Hearing Officer of the Secretary of the State.

Said hearing will be held to determine whether an Order shall be entered pursuant to Section 11.E of the Act revoking the registration of Respondents as salespersons and securities dealers in the State of Illinois and/or granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to 11.E(4) of the Act, payable within 10 (ten) days of the order.

The grounds for such proposed action are as follows:

Introduction

1. Raymond James Financial Services, Inc. ("Raymond James") is a broker-dealer that is registered with the State of Illinois Securities Department (the "Department") as an entity engaged in the business of offering, selling or otherwise engaging in the dealing or trading of securities.

2. Commencing in 1999, Stephen Putnam ("Putnam") was President and Chief Operating Officer of Raymond James.
3. Putnam was responsible for creating and implementing a system, which is designed to achieve compliance with securities laws and regulations.
4. From July 1999 to April 2003, Representative Brad Weaver ("Weaver") was a registered salesperson pursuant to Section 8 of the Illinois Securities Law of 1953, 815 ILCS 5/1 *et seq.* (the "Act"), and from July 1999 to April 2003 was a sales representative with Raymond James.
5. In addition, at all relevant times Weaver was branch manager in the securities division of Raymond James Financial Services.
6. Weaver conducted his business at Raymond James from his office located at 440 N. Wells St., Suite 340, Chicago, IL 60610 ("Chicago Office").
7. That between July 1999 and May 2005 Weaver was also president and sole owner of Beta Asset Management, Inc. (hereinafter "Beta Asset Management") with a business address of 440 North Wells Street, Suite 340, Chicago, Illinois 60610.
8. Weaver represented to Raymond James that Beta Asset Management was to be used solely as the operating entity for Weaver's securities business.
9. Beta Asset Management was supposed to be responsible solely for operating and administering Weaver's sales activities through Raymond James and as a result Beta Asset Management's income should be limited to what was generated by Brad Weaver's sales activities through Raymond James.
10. Raymond James has indicated that Putnam at all relevant times was Weaver's direct supervisor and that Putnam had sales supervision responsibilities for Weaver.
11. Between July of 1999 and 2004 Weaver and Beta Asset management, sold "Commercial Notes" ("Notes") to Illinois residents (hereinafter "Investors").
12. Weaver represented to investors that Raymond James issued the notes.
13. The Notes were promised a 12.5% annual interest rate and were to be "rolled over" from year to year so they would continue to accrue interest over an indefinite time period.
14. Weaver promised Investors that the monies received from the Investors was to be placed in secure accounts backed by Raymond James.

15. Instead Weaver used the money he received from the promissory notes for his own personal benefit.
16. In addition, the Notes were never in fact issued by Raymond James.
17. In 1999 and continuing to 2004 Weaver sold “error account” investments which Weaver represented to investors would allow them to profit from a previously made trade with which the investor had not previously been affiliated with and were (i) risk free; (ii) placed for a short period of time; and (iii) involved an already determined profit of usually around 20% to 30%, when no such error accounts or trades existed.
18. Weaver, while making these representations knew that neither he nor Beta Asset Management had an “error account” of the nature described to prospective and actual investors.
19. Weaver never used investors’ money for the investments he had promised to them and instead misappropriated the investors’ money.
20. The only payments to investors Weaver made were based on using new investors’ funds in order to pay the earlier backers.
21. The payments were also made by Weaver in order to keep investors from complaining to authorities.

Failure to Have Adequate Supervisory Procedures
Failure to Adequately Supervise Activity
Misappropriation

22. Weaver’s U-4 form has falsely stated that he was never involved in any outside activity.
23. Despite this, it should have been clear to Raymond James that Weaver was in fact taking part in some kind of outside business activity.
24. The activity and value of Weaver’s personal trading account, which was maintained by Raymond James, was not consistent with the amount of compensation Weaver was receiving from Raymond James.
25. For the year ending December 31, 2002 the trading records for Weaver’s personal trading account, which it should be emphasized were at all times *in the possession of Ramond James*, indicate that Weaver had lost approximately \$1,200,000.
26. In addition, on numerous occasions throughout 2002, there were large amounts of money that were deposited into Weaver’s personal trading account.

27. For example, on August 1st, 2002, \$50,000 was deposited into Weaver's Raymond James personal trading account.
28. On August 6th, 2002, \$100,000 was deposited into Weaver's Raymond James personal trading account.
29. During Weaver's employment Raymond James did not have a policy in place that examined a Raymond James representative's personal trading account in order to determine whether there was any indication that the account activity suggested that the representative was engaging in outside business activity.
30. In March of 2001, Weaver filled out an Option Agreement and Suitability Form in which he stated that his net worth was between \$100,000 and \$500,000.
31. At no time prior to December of 2002, was Weaver ever questioned about the activity in his personal trading account despite the fact that his losses for 2002 were more than double his stated net worth.
32. The trading activity in his personal account reveals what should have been a clear warning to Raymond James that Weaver needed additional compensation from some outside source in order to maintain an account that had losses of over one million dollars.
33. A review of Weaver's personal trading account would have revealed that there were large sums of money being deposited into his account that had to have come from sources that had to have come from outside of his employment activities at Raymond James.
34. In addition, there were deposits made into Weaver's personal trading account at Raymond James from Beta Asset Management's bank account.
35. On June 24, 2002, Beta Asset management deposited into Weaver's Raymond James personal trading account \$58,504.
36. On June 25, 2002, Beta Asset management deposited into Weaver's Raymond James personal trading account \$45,020.
37. As explained earlier, Beta Asset Management was supposed to be responsible solely for operating Weaver's business through Raymond James.
38. Because Weaver never disclosed any outside business activity, Beta Asset Management's income should have been limited to the Weaver's activities associated with Raymond James.

39. The deposits into Weaver's personal trading account at Raymond James in June of 2002, however, were greater than Weaver's entire commission total for 2002 at that point.
40. In addition, at all relevant times Raymond James did not have a policy in place that required the examination of bank records belonging to a representative's support company.
41. In addition, Raymond James is unable to document that it made any sort of inquiry to Weaver regarding the activities of Beta Asset Management.
42. Beta Asset management's bank account at North Community Bank, contained large sums of money that were much greater than what would have been expected had that money come from solely from Weaver's activity at Raymond James.
43. In fact, Raymond James did not examine Weaver's personal trading account or his support company's bank account until after they received notice from another broker-dealer about the possibility that Weaver had been paying an individual not affiliated with Raymond James by the name of Thomas Bandyk a referral fee, in exchange for the production of clients to Weaver.
44. Section 12.F of the Act provides that it shall be a violation of the provisions of this Act for any person to engage in any transaction, practice or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
45. Section 12.G of the Act provides that it shall be a violation of the provisions of this Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
46. Section 12.I of the Act provides that it shall be a violation of the provisions of this Act for any person to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.
47. Brad Weaver, by virtue of his actions in paragraphs #1 – 21 above, violated Sections 12.F, G, and I of the Act.
48. Section 8.E(1)(e) of the Act provides, *inter alia*, that the registration of a dealer may be denied, suspended or revoked if the dealer has (i) failed reasonably to supervise the securities activities of any of its salespersons or other employees and the failure has permitted or facilitated a violation of Section 12 of this Act, or... (iv) has failed to maintain and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of salespersons that are reasonably designed to achieve compliance with applicable securities laws and regulations.

49. Raymond James, by not examining Weaver's personal trading account and in not examining the bank records of Beta Asset management failed to reasonably supervise the securities activities of its salesperson, Brad Weaver, and thereby permitted or facilitated Brad Weaver's violation of Sections 12.F, G, and I of the Act.
50. Raymond James, in failing to have adequate supervisory controls in place, permitted or facilitated Brad Weaver's violation of Sections 12.F, G, and I of the Act.
51. Accordingly, Raymond James's registration as a securities dealer in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(e)(i) of the Act.
52. Accordingly, Raymond James's registration as a securities dealer in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(e)(iv) of the Act.
53. J. Stephen Putnam, by not examining Weaver's personal trading account and in not examining the bank records of Beta Asset management failed to reasonably supervise the securities activities of its salesperson, Brad Weaver, and thereby permitted or facilitated Brad Weaver's violation of Sections 12.F, G, and I of the Act.
54. J. Stephen Putnam, in failing to have adequate supervisory controls in place, permitted or facilitated Brad Weaver's violation of Sections 12.F, G, and I of the Act.
55. Accordingly, J. Stephen Putnam's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(e)(i) of the Act.
56. Accordingly, Raymond James's registration as a salesperson in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(e)(iv) of the Act.

Failure to Disclose Outside Business Activity

57. Since 1998, Brad Weaver was president of Beta Asset Management Inc.
58. Pursuant to Section 8.C of the Illinois Securities Law of 1953 as amended (815 ILCS 5/1 et seq. the "Act"), a dealer wishing to register a salesperson in the State of Illinois shall file an application with the Secretary of State which the salesperson is required to provide to the dealer, executed verified or authenticated by the salesperson setting forth information provided in Section 8.C of the Act.
59. Pursuant to Section 130.810 of the Rules and Regulations Under The Illinois Securities Law, an application, properly filed with the Secretary of State pursuant to Section 8.C, includes filing a U-4 form with the NASD utilizing the CRD System.
60. Pursuant to Section 8.C of the Act the U-4 form must be amended whenever a change occurs that renders inaccurate any information contained in the initial application.

61. The relevant portion of the U-4 form states the following:
 - a. Are you currently engaged in any other business either as a proprietor, partner, officer, director, employee, trustee, agent or otherwise? If YES, please provide the following details: the name of the other business, whether the business is investment-related, the address of the other business, the nature of the other business, your position, title, or relationship with the other business, the start date of your relationship, the approximate number of hours/month you devote to the other business, the number of hours you devote to the other business during securities trading hours, and briefly describe your duties relating to the other business.
62. Weaver's U-4 form never disclosed that he was President of Beta Asset Management.
63. Section 12.E of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to make, or cause to be made, (1) in any application, report or document filed under this Act or any rule or regulation made by the Secretary of State pursuant to this Act, any statement which was false or misleading with respect to any material fact.
64. By virtue of the foregoing, Raymond James violated Section 12.E of the Act.

Providing a False Registration Statement to The Illinois Securities Department

65. Paragraphs 57-64 are realleged and incorporated by reference and are fully set forth herein.
66. Section 8.E(1)(h) of the Act provides, *inter alia*, that the registration of a dealer may be revoked if the Secretary of State finds that such dealer has made any material misrepresentation to the Secretary of State in connection with any information deemed necessary by the Secretary of State to determine a salesperson's business repute or qualifications, or has refused to furnish any such information requested by the Secretary of State.
67. That by virtue of the foregoing, Raymond James' registration as a dealer in the State of Illinois is subject to revocation pursuant to Section 8.E(1)(h) of the Act.

You are further notified that you are required pursuant to Section 1104 of the Rules to file an answer to the allegations outlined above, a Special Appearance pursuant to Section 1107 of the Rules, or other responsive pleading within thirty (30) days of receipt of this


notice. Your failure to do this within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to appear shall constitute default by you.

A copy of the Rules promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department is included with this Notice.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This th 7 day of January, 2008.


JESSE WHITE
Secretary of State
State of Illinois

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