



**BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE
FOR THE STATE OF TENNESSEE**

TENNESSEE SECURITIES DIVISION,)	
)	
Petitioner,)	
)	
v.)	MATTER No.: 23-00729
)	
STRATEGIC WEALTH INVESTMENTS, LLC)	
and PATRICK CARMICHAEL)	
)	
Respondents.)	

CONSENT ORDER

The Securities Division of the Tennessee Department of Commerce and Insurance (“Division”) and Strategic Wealth Investments, LLC (“Strategic Wealth”) and Patrick Carmichael (“Respondent Carmichael”) and together, (“Respondents”), agree to the entry and execution of this Consent Order in accordance with Tennessee Code Annotated (“Tenn. Code Ann.”) § 48-1-116 of the Tennessee Securities Act of 1980 (“Act”), as amended, and Tenn. Code Ann. § 48-1-101 to 48-1-201, subject to the approval of the Commissioner of the Tennessee Department of Commerce and Insurance (“Commissioner”).

PARTIES

1. Strategic Wealth is an investment adviser firm with its principal place of business located in Knoxville, Tennessee, and is assigned Central Registration Depository (“CRD”) number 299392 with the Financial Industry Regulatory Authority (“FINRA”).
2. Respondent Carmichael is the owner and chief compliance officer of Strategic Wealth and is assigned CRD number 6190928 with FINRA.

3. The Division is the lawful agent through which the Commissioner discharges the administration of the Act pursuant to Tenn. Code Ann. § 48-1-115.

GENERAL STIPULATIONS

4. It is expressly understood that this Consent Order is subject to the Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry and execution of the Commissioner.

5. It is expressly understood that this Consent Order is in the public interest, necessary for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act.

6. This Consent Order is executed by the Commissioner, the Division, and the Respondents to avoid further administrative action with respect to this cause. Should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

7. The Respondents fully understand that this Consent Order will in no way preclude additional proceedings by the Commissioner against the Respondent for acts and/or omissions not specifically addressed in this Consent Order nor for facts and/or omissions that do not arise from the facts or transactions herein.

8. The Respondents fully understand that this Consent Order will in no way preclude proceedings by state government representatives, other than the Commissioner, for acts or omissions addressed specifically in this Consent Order, violations of law under statutes, rules, or regulations of the State of Tennessee that arise out of the facts, acts, or omissions contained in this

Consent Order, or acts or omissions addressed specifically herein that result from the execution of this Consent Order.

9. The Respondents waive all further procedural steps and waive all rights to seek judicial review of, or otherwise challenge the validity of this Consent Order, the stipulations and imposition of discipline contained herein, or the consideration and entry and execution of this Consent Order by the Commissioner.

10. This Consent Order is submitted on the condition that, if accepted, the Commissioner will not bring any future actions against the Respondents alleging violations based on the same factual findings described herein.

FINDINGS OF FACT

11. On or about June 30, 2022, the Division opened a cyclical post-registration examination of the Respondents.

12. As part of the examination, the Division reviewed Strategic Wealth's client agreements.

13. Strategic Wealth submitted forty-one (41) client agreements. Seventeen (17) of those agreements were not signed by Strategic Wealth.

14. Strategic Wealth's client agreements stated that fees are billed quarterly in advance. However, during the time of the examination, Strategic Wealth had been billing its clients in arrears.

15. Strategic Wealth relies on a billing software for the calculation and billing of its fees. Respondent Carmichael did not verify the fee calculations for accuracy or verify that the advisory fee charged was in accordance with the fee schedule in the client agreements.

16. Seven (7) clients comprising ten (10) accounts were overcharged advisory fees totaling three thousand two hundred and three dollars (\$3,203.00) from the fourth quarter of 2020 through the fourth quarter of 2022.

17. Four (4) of these seven (7) clients were overcharged because, according to Respondent Carmichael, he entered the clients' fee schedules into the billing software from memory rather than from referencing the client agreements.

18. Strategic Wealth listed an ineligible "business equity" asset on its balance sheet from around 2019 through June 2022, failing to comply with GAAP standards. Additionally, Strategic Wealth's balance sheets indicated that it failed to maintain a minimum net capital of fifteen thousand dollars (\$15,000) for sixteen (16) months, occurring between June 2020 and March 2023. Initially, Respondents indicated they believed reporting the "business equity" on its balance sheet complied with GAAP, however, after engaging a licensed CPA during the examination, the Respondents were advised that list such "business equity" did not comply with GAAP standards.

CONCLUSIONS OF LAW

19. Pursuant to Tenn. Code Ann. § 48-1-115(a), the responsibility for the administration of the Act is vested in the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility pursuant to Tenn. Code Ann. § 48-1-115(b).

20. Tenn. Code Ann. § 48-1-116 provides that the Commissioner may make, promulgate, amend, and rescind such orders as are necessary to carry out the provisions of the Act upon a finding that such order is in the public interest, necessary for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act.

21. Tenn. Code Ann. § 48-1-112 provides, in part, that:
- (a) The commissioner may by order deny, suspend, or revoke any registration under this part if the commissioner finds that:
 - (1) The order is in the public interest and necessary for the protection of investors; and
 - (2) The applicant or registrant or, in the case of a broker-dealer or investment adviser, any affiliate, partner, officer, director, or any person occupying a similar status or performing similar functions:
 - ...
 - (G) Has engaged in dishonest or unethical practices in the securities business;
 - ...
 - (d) In any case in which the commissioner is authorized to deny, revoke, or suspend the registration of a broker-dealer, agent, investment adviser, investment adviser representative, or applicant for broker-dealer, agent, investment adviser, or investment adviser representative registration, the commissioner may, in lieu of or in addition to such disciplinary action, impose a civil penalty in an amount not to exceed five thousand dollars (\$5,000) for all violations for any single transaction, or in an amount not to exceed ten thousand dollars (\$10,000) per violation if an individual who is a designated adult is a victim.
22. Tenn. Comp. R. & Regs. 0780-04-03-.02(3) provides, in part, that:
- (a) Except as provided in subparagraph (3)(c) of this Rule, every registered investment adviser shall maintain and keep current the following books and records relating to its business, unless waived by order of the commissioner:
 - ...
 - 8. Copies of all agreements entered into by the investment adviser with respect to any account, which agreements shall set forth the fees to be charged and the manner of computation and method of payment thereof, and copies of all communications, correspondence, and other records relating to securities transactions;
23. Tenn. Comp. R. & Regs. 0780-04-03-.02(6) provides, in part, that:
- (c) The following are deemed “dishonest or unethical business practices” by an investment adviser or an investment adviser representative under T.C.A. § 48-1-112(a)(2)(G), to the extent permitted under Section 203A of the

Investment Advisers Act, without limiting those terms to the practices specified herein:

...

13. Charging a client an unreasonable advisory fee;
24. Tenn. Code Ann. § 48-1-110 provides, in part, that:
 - (d) The commissioner may by rule require a minimum net capital for registered broker-dealers and investment advisers.
25. Tenn. Comp. R. & Regs 0780-04-03-.01(6) provides, in part, that
 - (a) Except as provided under subparagraph (6)(d) of this Rule, every investment adviser registered or to be registered shall have and maintain a minimum net capital of fifteen thousand dollars (\$15,000).
26. The Findings of Fact detailed above show that the Respondents failed to maintain and keep current client agreements in violation of Tenn. Comp. R. & Regs. 0780-04-03-.02(3)(a)8.
27. The Findings of Fact detailed above show that the Respondents engaged in dishonest and unethical business practices by charging clients fees based upon their billing software without verifying whether such fees were in accordance with the executed client agreements in violation of Tenn. Comp. R. & Regs. 0780-04-03-.02(6)(c)13.
28. The Findings of Fact detailed above show that the Respondents failed to maintain minimum net capital in violation of Tenn. Code Ann. § 48-1-110(d) and Tenn. Comp. R. & Regs. 0780-04-03-.01(6)(a).
29. The Commissioner finds the following relief appropriate, in the public interest, and necessary for the protection of investors.

ORDER

NOW, THEREFORE, based on the foregoing, including the Respondents' waiver of the right to a hearing and appeal under the Act and the Tennessee Uniform Administrative Procedures

Act, Tenn. Code Ann. §§ 4-5-101 *et seq.*, and the Respondents' admission to the jurisdiction of the Commissioner, the Commissioner finds that the Respondents agree to the entry and execution of this Consent Order to settle this matter as evidenced by the Respondents' signature.

IT IS ORDERED, pursuant to Tenn. Code Ann. § 48-1-116(a), that:

1. The Respondents shall **COMPLY** with the Act, as amended, and all rules promulgated thereunder; and

2. Respondent Carmichael shall **COMPLETE** fifteen (15) hours of investment adviser continuing education within thirty (30) days of the execution and entry of this Consent Order. All required continuing education must be from providers approved by the North American Securities Administrators Association ("NASAA") and will be in addition to that which is required pursuant to Tenn. Comp. R. & Regs. 0780-04-03-.17. The fifteen (15) hours of investment adviser continuing education must be in the following areas:

Ethics and Fiduciary Responsibility	six (6) hours
Books and Records	six (6) hours
Products and Practices	three (3) hours

Proof of completion shall be submitted to the Division's Director of Registration, April Odom, by sending such via email to April.X.Odom@tn.gov no later than ninety (90) days following entry and execution of this Consent Order by the Commissioner.

3. The Respondents shall **PAY A CIVIL PENALTY** to the State of Tennessee of twenty thousand dollars (\$20,000), for which they shall be jointly and severally liable, in the amounts and intervals stated in the payment plan below following the entry and execution of this Consent Order by the Commissioner. The payment of such civil penalty shall be made by check payable to the "Tennessee Department of Commerce and Insurance." Page one (1) of this Consent Order must accompany the payment for reference. Payment shall be mailed to the attention of:

State of Tennessee
Department of Commerce and Insurance
Attn: Jacob R. Strait
500 James Robertson Parkway
Davy Crockett Tower
Nashville, Tennessee 37243

4. **PAYMENT SCHEDULE** – Payment of the twenty thousand dollars (\$20,000)

stated in the preceding item 3 shall be remitted according to the following schedule:

<u>AMOUNT</u>	<u>DUE DATE</u>
Five thousand dollars (\$5,000)	Thirty (30) days from the date of execution by the Commissioner;
Five thousand dollars (\$5,000)	Sixty (60) days from the date of execution by the Commissioner;
Five thousand dollars (\$5,000)	Ninety (90) days from the date of execution by the Commissioner;
Five thousand dollars (\$5,000)	One hundred twenty (120) days from the date of execution by the Commissioner.

5. **GRACE PERIOD** – Payment shall be timely made if postmarked within five (5) business days of the date payment is due.

6. **ACCELERATION** – Respondents hereby agree that failure to remit any payment more than sixty (60) calendar days following the due date of said payment as indicated in the above scheduled payments shall constitute default. Upon default, the entire outstanding civil penalty shall be due and payable immediately.

7. **DELINQUENCY** – Respondents hereby agree that failure to make any payment according to this Consent Order shall result in the immediate suspension of Respondents' registrations with the Division, until such time any payments in arrears are paid in full.

8. **MODIFICATION** – The Division and Respondent hereby agree that modifications to this Consent Order regarding any term may only be made in writing and signed by an authorized representative of each party.

9. The Respondents' failure to comply with the terms of this Consent Order, including the manner and method of payment of the civil penalty described above, shall result in further administrative disciplinary actions, which may include the assessment of additional civil penalties.

10. This Consent Order represents the complete and final resolution of and discharge of all administrative and civil claims, demands, actions, and causes of action by the Commissioner against the Respondents for violations of the Act with respect to the transactions involved in above-referenced facts. However, excluded from and not covered by this paragraph, are any claims by the Division arising from or relating to the enforcement of the Consent Order provisions contained herein.


11. This Consent Order is in the public interest and the best interests of the Parties. It represents a settlement of the controversy between the Parties and is for settlement purposes only. By the signatures affixed below, or in two (2) or more counterparts, the Respondents affirmatively state the following: the Respondents freely agree to the entry and execution of the Consent Order; the Respondents waive the right to a hearing on, or a review of, the matters, the Findings of Fact, and the Conclusions of Law underlying this Consent Order or the enforcement of this Consent Order; and the Respondents encountered no threats or promises of any kind by the Commissioner, the Division, or any agent or representative thereof.

12. By signing this Consent Order, the Commissioner, the Division, and the Respondents affirmatively state their agreement to be bound by the terms of this Consent Order


and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement as set forth in this Consent Order, are binding upon them.


13. This Consent Order may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same document. The facsimile, email, or other electronically delivered signatures of the parties shall be deemed to constitute original signatures, and facsimile or other electronic copies shall be deemed to constitute duplicate originals.


ENTERED AND EXECUTED 05/19/2025


Carter Lawrence (May 19, 2025 16:37 CDT)
Carter Lawrence, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY AND EXECUTION:


Patrick Carmichael,
Individually, and on behalf of
Strategic Wealth Investments, LLC


Elizabeth Bowling (May 16, 2025 13:41 CDT)
Elizabeth Bowling
Assistant Commissioner for Securities
Department of Commerce and Insurance


Jacob R. Strait, BPR No. 032389
Associate Counsel
Department of Commerce and Insurance