



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

TENNESSEE SECURITIES DIVISION,)	
)	
Petitioner,)	
)	
v.)	
)	TSD No. 18-003
SRI, LLC,)	
)	
Respondent.)	
)	

CONSENT ORDER

The Tennessee Securities Division ("Division") and SRI, LLC (hereafter referred to as "Respondent" or, together with the Division, the "Parties") agree to the entry of this Consent Order in accordance with Tenn. Code Ann. § 48-1-116 of the Tennessee Securities Act of 1980, as amended, and Tenn. Code Ann. §§ 48-1-101 to 48-1-201 ("Act"), which states that the Commissioner of the Department of Commerce and Insurance ("Commissioner") from time to time may make such orders as are necessary to carry out the provisions of the Act.

Respondent hereby stipulates and agrees to the entry of this Consent Order as follows:

GENERAL STIPULATIONS

1. It is understood that this Consent Order is subject to the Commissioner's acceptance.

2. This Consent Order is executed by Respondent for the purpose of avoiding further administrative action with respect to the violation(s) described herein. 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 Parties from further participation in or resolution of these proceedings.

3. Respondent understands that this Consent Order will in no way preclude additional proceedings by the Commissioner against Respondent for acts or omissions not specifically addressed in this Consent Order, or for acts or omissions that do not arise from the facts or transactions addressed herein.

4. Respondent waives all further procedural steps, and waives all rights to seek judicial review of or to otherwise challenge or contest the validity of this Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of this Consent Order by the Commissioner.

FINDINGS OF FACT

5. The Act places the responsibility for its administration on the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility. Tenn. Code Ann. § 48-1-115.

6. Respondent is a registered investment adviser organized as a limited liability company under the laws of the State of Tennessee. Respondent's principal office and place of business is reportedly located at 800 E. Reelfoot Ave., Ste. 208, Union City, TN 38261.

7. Respondent first applied for registration as an investment adviser with the Division by submitting a Uniform Application for Investment Adviser Registration, commonly known as a

Form ADV, to the Division on December 20, 2011. The Division approved Respondent's registration on January 24, 2012.

8. Thereafter, Respondent maintained its registration by making annual amendments to its Form ADV and, until spring 2017, annually submitting a balance sheet for the prior fiscal year within the manner and timeframe prescribed under the Tennessee Securities Rules.

9. On April 26, 2017, Elizabeth Bowling, Director of Registration for the Division, sent an email to the address indicated as belonging to Respondent's Managing Member and Chief Compliance Officer, Mr. David Waycaster, on Respondent's Form ADV. Ms. Bowling's email stated that the Division was not in receipt of Respondent's 2016 fiscal year balance sheet, which was due no later than March 31, 2017, and asked Respondent to correct this issue by submitting its balance sheet to the Division by May 5, 2017. Ms. Bowling did not receive a response from Mr. Waycaster or any other individual associated with Respondent.

10. On July 12, 2017, Securities Examiner Michael Li sent a letter regarding Respondent's delinquent balance sheet to the address then indicated as the firm's primary office and place of business on Respondent's Form ADV, 508 Troy Ave., Dyersburg, TN 38024 (the "Dyersburg Address"). Ms. Bowling also sent an email with an attached copy of Mr. Li's letter to Mr. Waycaster's email address the same day. Neither Mr. Li nor Ms. Bowling received a response.

11. On September 25, 2017, Securities Examiner James McDowell telephoned the number indicated as belonging to Mr. Waycaster on Respondent's Form ADV. The person who answered the call identified himself as David Waycaster and stated to Mr. McDowell that the office at the Dyersburg Address had closed, and provided a new address located at 5433 Malone Rd., Memphis, TN 38118 (the "Memphis Address").

12. A final letter regarding Respondent's delinquent balance sheet, dated September 25, 2017, was delivered to Mr. Waycaster at the Memphis Address on or around October 26, 2017.

13. On November 1, 2017, the Division received from Respondent a document referred to as a "Balance Sheet." Mr. Li reviewed this document and determined it failed to show that Respondent maintained a sufficient net capital during the 2016 fiscal year. On or about November 8, 2017, Mr. Li sent a letter to Respondent requesting Respondent correct the balance sheet issues within seven (7) business days.

14. On December 20, 2017, the Division received a second balance sheet from Respondent. Upon review, Mr. Li concluded that the second balance sheet submission failed to correct any of the issues identified in Respondent's first balance sheet submission.

15. On January 6, 2018, the Division sent a letter to Respondent which stated that if Respondent was unable to demonstrate its compliance with the Act and Tennessee Securities Rules, the Division would commence administrative proceedings against Respondent. Respondent thereafter submitted to the Division a sufficient balance sheet for the 2016 fiscal year. Respondent additionally amended its Form ADV to reflect its actual principal office and place of address.

16. After submitting its 2016 fiscal year balance sheet and amending its Form ADV, Respondent informed the Division that it intends to wind down its investment advisory business in 2018.

APPLICABLE LAW

17. 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.

18. 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.

19. Tenn. Code Ann. § 48-1-111(b) provides that investment advisers registered under the Act “shall file such financial reports and other documents as the [C]ommissioner by rule prescribes.”

20. Tenn. Comp. R. & Regs. 0780-04-03-.02(4) requires investment advisers registered under the Act to submit to the Division, “within ninety (90) days after the end of its fiscal year, a copy of its annual statement of financial condition (balance sheet) and thereafter, any other related financial statements which the [Division] may request.”

21. Pursuant to Tenn. Comp. R. & Regs. 0780-04-03-.01(6), registered investment advisers are required to maintain a minimum net capital, defined as total assets less total liabilities, of fifteen thousand dollars (\$15,000). Pursuant to subparagraph (6)(c), the Division “may require that a current appraisal be submitted in order to establish the value of any asset.”

22. Pursuant to Tenn. Comp. R. & Regs. 0780-04-03-.02(4)(d), “all material changes in the information included in an investment adviser’s most recent application for registration shall be set forth in an amendment to Form ADV, pursuant to the updating instructions on Form ADV, and filed promptly [with the Division].” Item 4 of the Form ADV Instructions (pgs. 2-3) provides that a state-registered investment adviser is required to promptly update its Form ADV any time the identifying information of the firm, including the firm’s principal office and place of business, changes.

23. Pursuant to Tenn. Code Ann. § 48-1-112, the Commissioner may order the suspension or revocation of an investment adviser's registration if such action is in the public interest and necessary for the protection of investors, and upon finding that the registered investment adviser has willfully violated or failed to comply with any provision(s) of the Act or the Tennessee Securities Rules promulgated thereunder.

24. Pursuant to Tenn. Code Ann. § 48-1-112(d), "in any case in which the [C]ommissioner is authorized to deny, revoke, or suspend the registration of [an]... investment adviser... the [C]ommissioner 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[.]"

CONCLUSIONS OF LAW

25. Based upon the Findings of Fact detailed above, Respondent violated Tenn. Code Ann. § 48-1-111 and Tenn. Comp. R. & Regs. 0780-04-03-.02(4) by willfully failing to submit its 2016 fiscal year balance sheet within ninety (90) days of Respondent's 2016 fiscal year end.

26. Based upon the Findings of Fact detailed above, Respondent violated Tenn. Code Ann. § 48-1-111 and Tenn. Comp. R. & Regs. 0780-04-03-.02(4)(d) by failing to promptly amend its Form ADV in accordance with Form ADV instructions and the Tennessee Securities Rules.

27. The Commissioner finds the following relief appropriate, in the public interest and necessary for the protection of investors.

ORDER

NOW, THEREFORE, on the basis of the foregoing, and Respondent's waiver of its rights to a hearing and appeal under the Act and Tennessee's Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101 to 4-5-404, and Respondent's admission of jurisdiction of the

Commissioner, the Commissioner finds that Respondent SRI, LLC, for the purpose of settling this matter, has agreed to the entry of this Consent Order and that the following order is appropriate, in the public interest, and necessary for the protection of investors.

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

1. Respondent shall fully comply with the Act, as amended, and all rules promulgated thereunder;
2. Respondent shall wind down its business by the end of 2018; and
3. Respondent shall be assessed a civil penalty in the amount of one thousand dollars (\$1,000.00). 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 Order must accompany the payment for reference. Payment shall be remitted within thirty (30) days after entry of this Consent Order, mailed to the attention of:

**State of Tennessee
Department of Commerce and Insurance
Attn: Kaycee Wolf
8th Floor, Davy Crockett Tower
500 James Robertson Parkway
Nashville, TN 37243**

4. Respondent's failure to comply with the terms of this 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 and the suspension or revocation of Respondent's registration.

IT IS ORDERED, that this Consent Order represents the complete and final resolution of, and discharge with respect to, all administrative and civil claims, demands, actions and causes of

action by the Commissioner against SRI, LLC for all violations of the Act alleged by the Division to have occurred with respect to the transactions and the facts contained herein.

This Consent Order is in the public interest and in the best interest of the parties, and represents a compromise and settlement of the controversy between the parties. By the signatures affixed below, Respondent affirmatively states that he has freely agreed to the entry of this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The Parties, by signing this Consent Order, 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 set forth in this Consent Order, are binding upon them.

ENTERED this 9 day of August, 2018.

BY ORDER OF:



Julie Mix McPeak, Commissioner
Tennessee Department of Commerce and Insurance

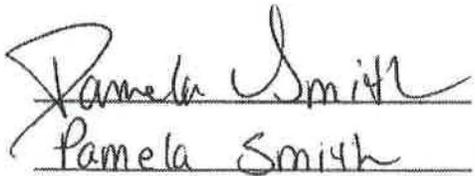
APPROVED FOR ENTRY:



Frank Borger-Gilligan
Assistant Commissioner for Securities
Department of Commerce and Insurance



Kaycee Wolf, BPR #34562
Chief Counsel
Department of Commerce and Insurance



Pamela Smith (Print Name)

Chief Compliance Officer (Title)

SRI, LLC