



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

TENNESSEE SECURITIES DIVISION,)

Petitioner,)

v.)

WILLIAM WINCHESTER III,)

Respondent.)

TSD No.: 20-034

CONSENT ORDER

The Securities Division of the Tennessee Department of Commerce and Insurance (“Division”) and William Winchester III (“Respondent”) 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 Department (“Commissioner”). The Commissioner recuses himself from this matter and authorizes the Chief Deputy Commissioner to act as his designee.

I. PARTIES

1. William Winchester III was previously registered with the Division as an agent and investment adviser representative contracted with Raymond James. His Central Registration Depository number (“CRD #”) is 4404327.

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

II. GENERAL STIPULATIONS

3. It is expressly understood that this Consent Order is subject to the Chief Deputy Commissioner's acceptance and has no force and effect until such acceptance is evidenced by the entry and execution of this Consent Order by the Chief Deputy Commissioner. Entry and execution of this Consent Order by the Chief Deputy Commissioner shall occur when the Chief Deputy Commissioner signs and dates this Consent Order.

4. 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.

5. This Consent Order is executed by the Chief Deputy Commissioner, the Division, and the Respondent to avoid further administrative action with respect to the findings of fact described herein. Should this Consent Order not be accepted by the Chief Deputy Commissioner, it is agreed that presentation to and consideration of this Consent Order by the Chief Deputy Commissioner shall not unfairly or illegally prejudice the Chief Deputy Commissioner from further participation or resolution of these proceedings.

6. The Respondent fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner and the Chief Deputy 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.

7. The Respondent fully understands that this Consent Order will in no way preclude proceedings by state government representatives, other than the Commissioner and the Chief Deputy 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.

8. The Respondent waives all further procedural steps and 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 Chief Deputy Commissioner.

III. FINDINGS OF FACT

9. On or about May 7, 2020, Cadaret, Grant, and Co., Inc. submitted to the Division applications for registrations on behalf of the Respondent to register him as an investment adviser representative and agent in Tennessee.

10. The Division examined the applications and found that the Respondent was previously involuntarily terminated from Raymond James for his “[f]ailure to disclose a business loan arrangement and two personal loan arrangements with separate clients, including a promissory note with a client related to Financial Advisor's [, the Respondent’s,] role as executor of the client's father's estate.”

11. As a result, the Division sent correspondence to the Respondent requesting various details surrounding these three (3) loan arrangements from three (3) different clients.

12. During the Division’s review of the applications and correspondence with the Respondent, the Division found that not only did the Respondent borrow money from three (3) different clients, but also two (2) of these three (3) clients met the definition of “designated adult” pursuant to Tenn. Code Ann. § 48-1-102(9), as the clients were at or above the age of sixty-five (65).

13. In response to the Division's inquiries, the Respondent admitted that he, and not Mr. Matthew Lawson, was the individual who borrowed money from the three (3) clients and that the Respondent was the one involved in the solicitation or the origination of the loan and the negotiation of the terms. At no point did the Respondent disclose the loans between himself and the three (3) clients to Raymond James. Additionally, he denied borrowing money from any clients in Raymond James' annual compliance questionnaires.

14. On June 2, 2020, the Division and the Respondent entered into a Tolling Agreement to assist in the settlement of this matter and to avoid the need for any action against the Respondent's applications.

IV. CONCLUSIONS OF LAW

15. 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).

16. Tenn. Code Ann. § 48-1-116 sets forth 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.

17. Tenn. Code Ann. § 48-1-112(a)(2)(G) provides that the Commissioner may by order deny, suspend, or revoke any registration if the Commissioner finds that the agent add/or investment adviser representative "[h]as engaged in dishonest or unethical practices in the securities business[.]"

18. Tenn. Comp. Rules & Regs. 0780-04-03-.02(6)(b)1. states that “borrowing money or securities from a customer” constitutes dishonest or unethical business practices by an agent under Tenn. Code Ann. § 48-1-112(a)(2)(G).

19. Tenn. Comp. Rules & Regs. 0780-04-03-.02(6)(c)24. establishes that “[b]orrowing money or securities from a client unless the client is a broker-dealer, an affiliate of the investment adviser, or a financial institution engaged in the business of loaning funds” constitutes dishonest or unethical practices in the securities business by an investment adviser representative under Tenn. Code Ann. § 48-1-112(a)(2)(G).

20. Tenn. Code Ann. § 48-1-112(d) authorizes the Commissioner to, in lieu of or in addition to a denial, revocation, or suspension of a registration, “. . . 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.”

21. Tenn. Code Ann. § 48-1-102(9) defines designated adult as “[a]n individual sixty-five (65) years of age or older; or [a]n individual who is eighteen (18) years of age or older and who, because of mental or physical dysfunction, is unable to manage such person's own resources, carry out activities of daily living, or protect against neglect or hazardous or abusive situations, without assistance from others[.]”

22. The Findings of Fact detailed above show that the Respondent engaged in dishonest and unethical practices in the securities business as an agent and investment adviser representative, was terminated from Raymond James as a result, and violated Tenn. Code Ann. § 48-1-112 and Tenn. Comp. Rules & Regs. 0780-04-03-.02(6)(b)1. and 0780-04-03-02(6)(c)24.

23. The Chief Deputy Commissioner, acting as the Commissioner's designee, finds the following relief appropriate, in the public interest, and necessary for the protection of investors.

V. ORDER

NOW, THEREFORE, based on the foregoing, including the Respondent's 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 Respondent's admission to jurisdiction, the Chief Deputy Commissioner, acting as the Commissioner's designee, finds that the Respondent agrees to the entry and execution of this Consent Order to settle this matter as evidenced by the Respondent's signature.

IT IS ORDERED, pursuant to Tenn. Code Ann. § 48-1-116, that the Respondent shall:

1. **COMPLY** with the Act, as amended, and all rules promulgated thereunder;
2. **BE SUBJECT TO HEIGHTENED SUPERVISION FOR THREE (3) YEARS**

by Cadaret, Grant & Co., Inc., starting the day after this Consent Order is entered and executed;

a. As relating only to the heightened supervision of the Respondent by Cadaret, Grant & Co., Inc., **CADARET, GRANT & CO., INC.**, agrees to subject the Respondent to heightened supervision by conducting in-person and on-site reviews of the Respondent's books and records at his office every six (6) months for the next three (3) years; and

b. **CADARET, GRANT & CO., INC.**, agrees to provide a written and/or electronic certification or attestation every six (6) months for the next three (3) years to the Division's Director of Registration for Securities, April Odom, via e-mail to April.X.Odom@tn.gov. This written and/or electronic certification or attestation must state that an agent or affiliate of Cadaret, Grant & Co., Inc.

completed the in-person and on-site review of the Respondent's books and records at his office and found no compliance issues.

3. **PARTICIPATE IN AND COMPLETE** the following five (5) training courses offered by the Financial Industry Regulatory Authority ("FINRA") within one (1) year of the Chief Deputy Commissioner's execution of this Consent Order: Ethical Considerations for Registered Representatives (EL-ELC170), Ethical Considerations for Registered Representatives (EL-ELC170), Conflicts of Interest (EL-ELC-242), Gifts: Understanding Compliance Responsibilities (EL-ELC167), and Financial Exploitation of Senior and Vulnerable Adults (EL-ELC261);¹

4. **PROVIDE PROOF OF PARTICIPATION IN AND COMPLETION OF THE FINRA TRAINING COURSES**, cited in Paragraph 3. on pages 6-7 of this Consent Order, to the Division's Director of Registration for Securities, April Odom, via e-mail to April.X.Odom@tn.gov. Such proof of participation in and completion of the FINRA training courses shall be provided to the Division within sixty (60) days of completion of each FINRA training course cited in Paragraph 3. on pages 6-7 of this Consent Order above; and

5. **PAY A CIVIL PENALTY** to the State of Tennessee of forty-five thousand dollars (\$45,000.00). 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 Consent Order must accompany the payment for reference. Payment shall be remitted within thirty (30) days after the entry and execution of this Consent Order, as evidenced by the Commissioner's signature, and mailed to the attention of:

**State of Tennessee
Department of Commerce and Insurance
Attn: Virginia Smith
Davy Crockett Tower**

¹ FINRA's course can be found here: <https://www.finra.org/events-training/e-learning>.

**500 James Robertson Parkway
Nashville, Tennessee 37243**

6. The Respondent's 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 an automatic suspension without a contested case hearing, and further administrative disciplinary action, which may include the assessment of additional civil penalties. If such suspension occurs, it will remain in place until the Respondent is able to show compliance with the terms of this Consent Order, including the manner and method of payment of the civil penalty described above.

7. If at any point the Division or Cadaret, Grant & Co., Inc. finds that the Respondent, other than detailed herein, borrowed money or securities from any client or customer, his registration will automatically be suspended for a period of six (6) months without a contested case hearing on the matter.

8. **IT IS FURTHER ORDERED** that 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 and the Chief Deputy Commissioner against the Respondent for violations of the Act with respect to the transactions involved in the 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.

9. 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 Respondent affirmatively states the following: the Respondent freely agrees to the entry and execution of this Consent Order; the Respondent waives 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 Respondent encountered no threats or promises of any kind by the Chief Deputy Commissioner, the Division, or any agent or representative thereof.

10. By signing this Consent Order, the Chief Deputy Commissioner, Division, and the Respondent affirmatively states his 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.

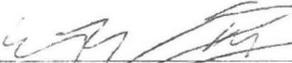
11. Immediately after this Consent Order is entered and executed, as evidenced by the the Chief Deputy Commissioner's signature below, Cadaret, Grant & Co., Inc.'s applications, to register the Respondent will be approved.

12. 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 electronic copies shall be deemed to constitute duplicate originals.

ENTERED AND EXECUTED this June 11, 2020.

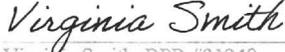

Carter Lawrence (Jun 11, 2020 09:09 CDT)
Carter Lawrence, Chief Deputy Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY AND EXECUTION:


William Winchester III
The Respondent


E B (June 2, 2020 09:00 CDT)
Elizabeth Bowling
Assistant Commissioner for Securities
Department of Commerce and Insurance


~~Donald Grant~~
~~Assistant Vice President for Registration~~
and Agent for Cadaret, Grant & Co., Inc.


Virginia Smith, BPR #31248
Associate General Counsel
Department of Commerce and Insurance