



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

SECRETARY OF STATE

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TENNESSEE SECURITIES DIVISION,)
)
Petitioner,)
)
v.)
)
CROWDVEST SECURITIES, LLC AND)
PENN FINANCIAL GROUP, LLC,)
)
Respondents.)
)

APD No.: 12.01-190806J
TSD No.: 19-023

AGREED ORDER SETTLING THIS MATTER, ASSESSING CIVIL PENALTIES, AND
DISMISSING THE NOTICE OF HEARING AND CHARGES AND HEARING
SCHEDULED ON DECEMBER 16, 2019

Comes now the Securities Division of the Tennessee Department of Commerce and Insurance (“Division”), by and through undersigned counsel, and hereby alleges the following.

I. JURISDICTION

1. The Tennessee Securities Act of 1980, as amended, Tenn. Code Ann. §§ 48-1-101 to 48-1-201 (“Act”), places the responsibility of the administration of the Act on the Commissioner of the Department (“Commissioner”).

II. PARTIES

2. The Division is the lawful agent through which the Commissioner administers the Act pursuant to Tenn. Code Ann. § 48-1-115, and it is authorized to bring this action based on the finding that such action 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, pursuant to Tenn. Code Ann. §§ 48-1-112 and 48-1-116.

3. Crowdvest Securities, LLC (“Crowdvest”, collectively with Penn Financial Group, LLC “Respondents”) is a registered broker-dealer, with Central Registration Depository number (“CRD #”) 288827. It has been registered with the Division for approximately two (2) years, and previously maintained a principal place of business in Tennessee at: 150 4th Avenue North, 22nd Floor, Nashville, TN 37208. In or about August of 2019, it relocated its principal place of business to: 915 S Wolfe Street, Apt. 122, Baltimore, MD 21231.

4. Penn Financial Group, LLC (“Penn Financial”) is a registered investment adviser with CRD #128872. It has been registered with the Division for approximately two (2) years, and previously maintained its principal place of business in Tennessee at: 150 4th Avenue North, 22nd Floor, Nashville, TN 37208. In or around July of 2019, it relocated its principal place of business to: 915 S Wolfe Street, Apt. 122, Baltimore, MD 21231.

III. GENERAL STIPULATIONS

5. It is expressly understood that this Agreed 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 this Agreed Order by the Commissioner. Entry and execution of this Agreed Order by the Commissioner shall occur when the Commissioner signs and dates this Agreed Order.

6. It is expressly understood that this Agreed 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.

7. This Agreed Order is executed by the Commissioner, the Division, and the Respondents to avoid further administrative action with respect to the findings of fact described herein. Should

this Agreed Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Agreed Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner from further participation or resolution of these proceedings.

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

9. The Respondents fully understand that this Agreed Order will in no way preclude proceedings by state government representatives, other than the Commissioner, for acts or omissions addressed specifically in this Agreed 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 Agreed Order, or acts or omissions addressed specifically herein that result from the execution of this Agreed Order.

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

IV. FINDINGS OF FACT

11. Per Tenn. Comp. R. & Regs. 0780-04-03.02(4)(a)1., investment advisers registered in Tennessee are required to provide the Division with its annual balance sheet within ninety (90) days after the end of its fiscal year. The end of the fiscal year for 2018 was December 31, 2018, so the deadline was March 31, 2019.

12. Investment advisers registered in Tennessee are also required to provide the Division with an updated Form ADV pursuant to Tenn. Comp. R. & Regs. 0780-04-03.02(4)(e), within ninety (90) days after the end of its fiscal year. The end of the fiscal year for 2018 was December 31, 2018, so the deadline was March 31, 2019.

13. On March 31, 2019, Penn Financial neither filed its annual balance sheet nor its updated Form ADV with the Division.

14. Due to these absent filings, the Division sent Penn Financial five (5) different letters requesting the information from Penn Financial. Two (2) of the Division's letters, dated April 11, 2019, and May 21, 2019, requested that Penn Financial provide the Division with its annual balance sheet. The Division mailed another two (2) letters with the same dates above, requesting that Penn Financial provide the Division with an updated Form ADV. After the Division mailed these four (4) letters, Penn Financial did not provide the Division with its annual balance sheet nor its updated Form ADV until after the Notice of Hearing and Charges with Request for Revocations was filed.

15. In the fifth letter dated July 24, 2019, the Division's legal counsel again requested that the records be provided within ten (10) business days of receipt of the letter. Additionally, this letter informed Penn Financial that legal counsel would pursue a revocation and civil penalties if the records were not provided.

16. On July 24, 2019, the Division sent a letter to Crowdvest informing it that the Division would conduct an examination of Crowdvest's records and provided a list of documents that needed to be readily available on the date of the examination.

17. Per the Respondents, they never received any of the letters from the Division nor the Division's legal counsel. The Division's records indicate that all correspondence to Penn Financial

was delivered; however, the Division learned on September 11, 2019, that the letter mailed to Crowdvest via FedEx, sent on July 24, 2019, was returned and not delivered. Additionally, the letters to Penn Financial were e-mailed to the following actively managed e-mail account and address: matt@pennfinancialgroup.com.

18. Soon thereafter, the Respondents contacted the Division and informed it that they would be relocating their principal place of business from Tennessee to Maryland.

19. As such, on July 30, 2019, Penn Financial filed an application to withdraw its registration as an investment adviser in Tennessee. On August 5, 2019, Crowdvest followed suit and filed an application to withdraw its registration as a broker-dealer in Tennessee.

20. The Division then pursued a Notice of Hearing and Charges with Request for Revocations, which was filed with the Administrative Procedures Division on August 27, 2019.

21. Penn Financial quickly responded to the filing of the Notice of Hearing and Charges with Request for Revocations and contacted the Legal Department soon after its filing on August 27, 2019.

22. After finally hearing from the Respondents, the Division was then able to conduct an examination of the books and records of the Respondents in hopes of settling this matter. Both of the Respondents fully cooperated with the examinations and provided all requested documentation in their possession to the Division.

23. On or about October 21, 2019, the Division's examination of Crowdvest concluded and it found no deficiencies.

24. On or about October 30, 2019, the Division completed its examination of Penn Financial, but found a few additional deficiencies that the Division and Penn Financial are currently trying to settle and resolve via Consent Order.

25. This Agreed Order only relates to the Findings of Fact outlined herein and does not in anyway resolve the additional deficiencies found in the Division's examination of Penn Financial that concluded on or about October 30, 2019.

26. Since the Division received notice from FedEx that its letter to Crowdvest, sent on July 24, 2019, was returned and not delivered, the Commissioner assesses no civil penalties against or relating to Crowdvest. The violations that are resolved and settled in this Agreed Order are all assessed against, and only relate to, Penn Financial.

V. CONCLUSIONS OF LAW

A. The Commissioner's authority to revoke registration after an application to withdraw is filed, for the willful violation and willful failure to comply with provisions of the Act and rules, and for dishonest or unethical business practices in the securities business.

27. Tenn. Code Ann. § 48-1-112 sets forth:

(a) The [C]ommissioner may by order deny, suspend, or revoke any registration under this part if the [C]ommissioner 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:

...

(B) Has willfully violated or willfully failed to comply with any provision of this part or a predecessor chapter or any rule or order under this part or a predecessor chapter, including, without limitation, any net capital requirements;

...

- (G) Has engaged in dishonest or unethical practices in the securities business;

...

- 28. Tenn. Comp. R. & Regs. 0780-04-03-.01(3)(f) provides:

The registration of an investment adviser shall be subject to revocation proceedings even though the registrant has filed an application to withdraw its registration The [C]ommissioner may institute a revocation proceeding under T.C.A. § 48-1-112 within thirty (30) days after the filing date of an application to withdraw on Form ADV-W by a registrant and enter a revocation order as of the last date on which registration was effective

- 29. Tenn. Comp. R. & Regs. 0780-04-03-.02(6)(c)(26) states that failing to provide information requested by the Division pursuant to the Act or the rules constitutes dishonest or unethical business practices by an investment adviser or an investment adviser representative under Tenn. Code Ann. § 48-1-112(a)(2)(G).

B. The Commissioner’s authority to impose civil penalties for violations of Tenn. Code Ann. § 48-1-112.

- 30. Tenn. Code Ann. § 48-1-112(d) establishes the following:

In any case in which the [C]ommissioner is authorized to deny, revoke, or suspend the registration of a . . . investment adviser, investment adviser representative, or applicant for [an] . . . investment adviser, or investment adviser representative registration, 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, 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.

C. The reports and records required of investment advisers and examination of records.

- 31. Tenn. Code Ann. § 48-1-111(a) requires every registered investment adviser to “make and keep such accounts, correspondence, memoranda, papers, books, and other records as the [C]ommissioner by rule prescribes.” In addition, Tenn. Code Ann. § 48-1-111(b) requires every registered investment adviser to “file financial reports and other documents as the [C]ommissioner

by rule prescribes.” Lastly, Tenn. Code Ann. § 48-1-111(d)(1) establishes that “[a]ll the records referred to in subsection (a) are subject at any time and from time to time to such reasonable periodic, special, or other examinations, within or outside of this state, by representatives of the [C]ommissioner, as the [C]ommissioner deems necessary or appropriate in the public interest or for the protection of investors.”

32. Tenn. Comp. R. & Regs. 0780-04-03.02(4)(a)1. establishes that “[e]ach investment adviser registered in this state shall file with the Division, within ninety (90) days after the end of its fiscal year, a copy of its annual statement of financial condition (balance sheet)”

33. Tenn. Comp. R. & Regs. 0780-04-03.02(4)(e) establishes that an “investment adviser registered in this state shall file with the Division within ninety (90) days after the end of the registrant’s fiscal year, an annual updated Form ADV prepared pursuant to the updating instructions on Form ADV. Such annual updating amendment to Form ADV shall be filed through the IARD or directly with the Division, whichever is appropriate.”

34. Penn Financial failed to provide the Division with its annual balance sheet and an updated Form ADV, as requested by the Division prior to the filing of the Notice of Hearing and Charges with Request for Revocations on August 27, 2019, which constitutes dishonest and unethical practices in the securities business in violation of Tenn. Code Ann. § 48-1-112(a)(2)(G). The Division sent Penn Financial five (5) different letters requesting information from Penn Financial. Two (2) of the Division’s letters, dated April 11, 2019, and May 21, 2019, requested that Penn Financial provide the Division with Penn Financial’s annual balance sheet. The Division sent another two (2) letters on the same dates requesting that Penn Financial provide it with an updated Form ADV. The fifth letter, sent from the Division’s legal counsel, informed Penn Financial that the Division would pursue a revocation proceeding and civil penalties if Penn Financial failed to

provide the requisite records within ten (10) days of receipt of this fifth letter. After the Division mailed these five (5) letters, Penn Financial did not provide the Division with its annual balance sheet nor its updated Form ADV, in violation of Tenn. Code Ann. § 48-1-112(a)(2)(G) and Tenn. Comp. R. & Regs. 0780-04-03-.02(6)(c)(26), until after the Notice of Hearing and Charges with Request for Revocations was filed.

35. Penn Financial eventually provided the Division with its annual balance sheet and updated Form ADV shortly after the Notice of Hearing and Charges with Request for Revocations was filed in this matter.

D. Penn Financial willfully violated and willfully failed to comply with the reports and records provisions of Tenn. Code Ann. § 48-1-111.

36. Penn Financial willfully violated and willfully failed to comply with Tenn. Code Ann. § 48-1-111, in violation of Tenn. Code Ann. § 48-1-112(a)(2)(B), by the following ways: not filing a 2018 balance sheet by March 31, 2019, as required by Tenn. Comp. R. & Regs. 0780-04-03.02(4)(a)1.; and not filing an updated Form ADV by March 31, 2019, as required by Tenn. Comp. R. & Regs. 0780-04-03.02(4)(e).

VI. 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 Agreed Order to settle this matter as evidenced by the Respondents' signatures.

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

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

2. **PAY A CIVIL PENALTY** to the State of Tennessee of one thousand dollars (\$1,000.00) on behalf of Penn Financial. 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 Agreed Order must accompany the payment for reference. Payment shall be remitted within thirty (30) days after the entry and execution of this Agreed 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
500 James Robertson Parkway
Nashville, Tennessee 37243**

3. Penn Financial's failure to comply with the terms of this Agreed Order, including the manner and method of payment of the civil penalty described above, shall result in further administrative disciplinary action, which may include the assessment of additional civil penalties.

4. **IT IS FURTHER ORDERED** that this Agreed 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 Crowdvest.

5. **IT IS FURTHER ORDERED** that this Agreed 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 Penn Financial 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 Agreed Order provisions contained herein.

6. This Agreed 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 this Agreed 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 Agreed Order or the enforcement of this Agreed Order; and the Respondents encountered no threats or promises of any kind by the Commissioner, the Division, or any agent or representative thereof.

7. By signing this Agreed Order, the Commissioner, Division, and the Respondents affirmatively state their agreement to be bound by the terms of this Agreed 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 Agreed Order, are binding upon them.

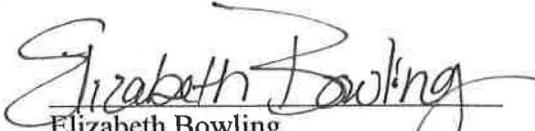
8. This Agreed Order may be executed in two (2) or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same document. The facsimile, email or other electronically delivered signatures of the parties shall be deemed to constitute original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

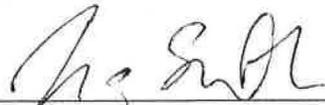
ENTERED AND EXECUTED this 30 day of December, 2019.


Hodgen Mairda, Commissioner
Department of Commerce and Insurance

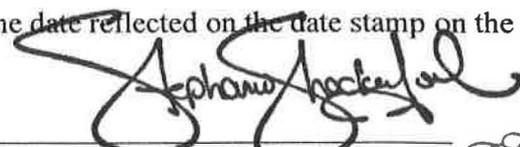
APPROVED FOR ENTRY AND EXECUTION:


Matthew McCall, President
On behalf of:
Penn Financial Group, LLC and
Crowdvest Securities, LLC


Elizabeth Bowling
Assistant Commissioner for Securities
Department of Commerce and Insurance


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

Filed in the Administrative Procedures Division on the date reflected on the date stamp on the first page of this Agreed Order.


Stephanie Shackelford, Director
Administrative Procedures Division

CERTIFICATE OF SERVICE

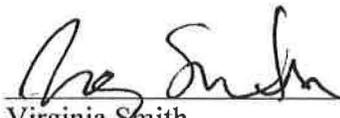
The undersigned hereby certifies that a true and correct copy of this Agreed Order Settling this Matter, Assessing Civil Penalties, and Dismissing the Notice of Hearing and Charges and Hearing Set for December 16, 2019, will be served upon Penn Financial Group, LLC and Crowdvest Securities, LLC via U.S. Certified Mail, Return Receipt Requested, and e-mail to the below enclosed addresses on the 7th day of ~~December~~ ^{January}, 2019.

Return Receipt No.: 7019 1120 0000 5593 2939

Penn Financial Group, LLC and
Crowdvest Securities, LLC
Attn: Matthew McCall

915 S Wolfe Street
Apt. 122
Baltimore, MD 21231

matt@pennfinancialgroup.com



Virginia Smith