



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

TENNESSEE SECURITIES DIVISION,)
)
Petitioner,)
)
v.)
)
CARTY, HARDING & HEARN, INC.)
(f/k/a CARTY & COMPANY, INC.))
)
Respondent.)

MATTER No.: 22-00571

OI No.: 2021-0002

CONSENT ORDER

The Securities Division of the Tennessee Department of Commerce and Insurance (“Department”), and Carty, Harding & Hearn, Inc. (f/k/a Carty & Company Inc.) (“Carty” or “Respondent”), agree to the entry and execution of this Consent Order, subject to the approval of the Commissioner of the Department (“Commissioner”) as follows:

GENERAL STIPULATIONS

1. 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 this Consent Order by the Commissioner. Entry and execution of this Consent Order by the Commissioner shall occur when the Commissioner signs and dates this Consent Order.

2. 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 Tennessee Securities Act (“Act”).

3. This Consent Order is executed by the Commissioner, the Securities 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 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.

4. The Respondent fully understands 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.

5. The Respondent fully understands 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.

6. 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 Commissioner.

7. This Consent Order is submitted on the condition that, if accepted, the Commissioner will not bring any action against any of Respondent's employees or agents alleging violations based on the same factual findings described herein.

AUTHORITY AND JURISDICTION

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

9. 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.

PARTIES

10. The Commissioner administers the Act through the Securities Division and authorizes the Securities Division to bring this action for the protection of the public.

11. The Respondent is a Tennessee entity. The Respondent is registered with the Securities Division and with the Securities and Exchange Commission as a broker-dealer. The Respondent holds Central Records Depository (“CRD”) number 7001, assigned by the Financial Industry Regulatory Authority (“FINRA”).

FINDINGS OF FACT

12. On or about October 2, 2020, the Department’s Financial Services Investigation Unit (“FSIU”), received report of a complaint filed by Gary Chism (“Chism”), a successor Trustee for the Revocable Trust of Clauson S. Chism (the “Trust”) concerning a Puerto Rico bond it owned with Committee on Uniform Security Identification Procedures (“CUSIP”) number 74514LC88 (“CUSIP 74514LC88”).

13. On February 3, 2021, FSIU issued Order of Investigation #2021-0002, initiating an

investigation into the Respondent.

14. On or about March 14, 2012, the Trust purchased two (2) Puerto Rico bonds, one of which, CUSIP 74514LC88, was not insured by the issuer or any other entity. When these purchases were made, the Trust was a customer of Respondent, and the Trust's investments purchased through Respondent and the Trust's account were custodied at Pershing, LLC ("Pershing").

15. CUSIP 74514LC88 was not represented to the Trust as being insured at the time of the purchase recommendation; however, the trade confirmation for CUSIP 74514LC88 subsequently generated by Pershing and sent to the Trust after the Trust's purchase erroneously stated that CUSIP 74514LC88 was insured. Monthly statements and tax reporting statements also sent to the Trust by Pershing correctly reflected that CUSIP 74514LC88 was not insured.

16. CUSIP 74514LC88 paid the Trust monthly interest payments through 2017, then such payments ceased.

17. In or about October 2019, Mr. Chism placed a telephone call to Respondent and spoke with one of its registered representatives about CUSIP 74514LC88. Mr. Chism did not speak with the registered representative who had recommended the purchase of CUSIP 74514LC88 to the Trust in 2012, because that representative was no longer employed by Respondent.

18. The registered representative reviewed Pershing's description of CUSIP 74514LC88 on the confirmation. The Representative relied on the information on the confirmation, which erroneously reflected that CUSIP 74514LC88 was insured, and he informed Mr. Chism that CUSIP 74514LC88 was insured.

19. The registered representative did not also review the monthly statement, the Electronic Municipal Market Access, or the security master in Pershing's system, each of which

correctly noted that CUSIP 74514LC88 was not insured.

20. Subsequently, Mr. Chism found that CUSIP 74514LC88 was not insured and the Trust sold CUSIP 74514LC88 on or about January 29, 2020.

21. In or about October 2019, Mr. Chism, on behalf of the Trust, filed a complaint about CUSIP 74514LC88 with the Securities Division of the Mississippi Secretary of State's Office ("MSD").

22. In or around October 2020, the MSD referred the Trust's complaint to the Securities Division of the Department, after which Respondent communicated with the Department about the matter.

23. In December 2024, Respondent voluntarily made full restitution to the Trust for the loss it had sustained from its investment in CUSIP 74514LC88.

24. The Respondent has informed the Department that it updated its procedures concerning verifying the accuracy of the description of various financial products, with the goal of eliminating errors by its agents, like the one that occurred here.

CONCLUSIONS OF LAW

25. Tenn. Code Ann. § 48-1-102 states, in pertinent part:

...

- (3) "Agent" means any individual, other than a broker-dealer, who represents a broker-dealer in effecting or attempting to effect purchases or sales of securities from, in, or into this state. A partner, officer, director, or manager of a broker-dealer, or a person occupying similar status or performing similar functions, is an agent only if such person otherwise comes within this definition or receives compensation specifically related to purchases or sales of securities from, in, or into this state. "Agent" does not include such other persons not within the intent of this subdivision (3) as the commissioner may, by rule, exempt from this definition as not in the public interest and necessary for the protection of investors;

(4) “Broker-dealer” means any person engaged in the business of effecting transactions in securities for the account of others, or any person engaged in the business of buying or selling securities issued by one (1) or more other persons for such person’s own account and as part of a regular business rather than in connection with such person’s investment activities [;]

...

(12) “Investment adviser” means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, buying, or selling securities, or who for compensation and as a part of a regular business issues or promulgates analyses or reports concerning securities [; and]

...

(20) (A) “Security” means any note, stock, treasury stock, bond, debenture, evidence of indebtedness, a life settlement investment or any fractional or pooled interest in a life insurance policy or life settlement investment, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, certificate of interest or participation in an oil, gas, or mining title or lease or in payments out of production under such a title or lease; or, in general, any interest or instrument commonly known as a “security,” or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing[.]

26. Tenn. Code Ann. § 48-1-112 states, in pertinent part:

(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:

- ...
- (J) Has failed reasonably to supervise such person's agents if the person is a broker-dealer, or such person's investment adviser representatives if the person is an investment adviser.
- (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.

26. In providing an inaccurate description of the Puerto Rico bond with CUSIP number 74514LC88, the Respondent violated Tenn. Code Ann. § 48-1-112(a)(2)(J). The Commissioner finds that, for purposes of this consent order, this violation is not material and is in the nature of a “minor rule violation” as that term is defined in the Form BD.¹

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 of jurisdiction of the Commissioner, the Commissioner finds that the Respondent, for the purpose of settling this matter, admits the Findings of Fact and agrees to the entry and execution of this Order.

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

¹ A rule violation may be designated as "minor" if the sanction imposed consists of a fine of \$2,500 or less, and if the sanctioned person does not contest the fine. U.S. Securities & Exchange Comm'n, *Form BD: Uniform Application for Broker-Dealer Registration* (Apr. 2024), www.sec.gov/pdf/formbd.pdf

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

2. The Respondent shall **PAY A CIVIL PENALTY** in the amount of two thousand five hundred and 00/100 dollars (\$2,500.00), to the State of Tennessee. The payment of such civil penalty shall be made by check, cashier's check, or money order payable to the **Tennessee Department of Commerce and Insurance**. The Respondent shall pay **A CONTRIBUTION** to the Securities Division's Investor Education Fund in the amount of two thousand five hundred and 00/100 dollars (\$2,500.00). The payment of the contribution shall be made by check, cashier's check, or money order payable to the **Tennessee Department of Commerce and Insurance**. Page one (1) of this Consent Order must accompany the payments for reference. The payments shall be mailed to the attention of:

State of Tennessee
Department of Commerce and Insurance
Attn: Lovemore N. Gororo
Davy Crockett Tower
500 James Robertson Parkway
Nashville, Tennessee 37243

3. The Respondent shall make the payment within **THIRTY (30) DAYS** of entry and execution of this Order. The Respondent agrees that failure to make payment of the civil penalty within the timeframe established above shall constitute default. 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 further administrative action against its securities registration.

4. **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 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 Securities Division arising from or relating to the enforcement of the provisions contained herein.

5. 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 agreed 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 Commissioner, the Securities Division, or any agent or representative thereof.

6. By signing this Consent Order, the Commissioner, the Securities Division, and the Respondent 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.

NO DISQUALIFICATION

This Order waives any disqualification in the Tennessee laws, or rules or regulations thereunder, including any disqualification from relying upon the registration exemptions or safe harbor provisions to which Respondent may be subject. This Order is not intended to be a final order based upon violations of the Tennessee Securities Act (the “Act”) or any rules or regulations thereunder, that prohibit fraudulent, manipulative, or deceptive conduct, or dishonest or unethical business practices. This Order is not intended to form the basis of any disqualifications under Section 3(a)(39) of the Securities Exchange Act of 1934; or Rules 504(b)(3) and 506(d)(1) of

Regulation D, Rule 262(a) of Regulation A and Rule 503(a) of Regulation CF under the Securities Act of 1933. This Order is not intended to form the basis of disqualification under FINRA Rules prohibiting continuance in membership and is not intended to trigger any requirement that Respondent must file a MC-400 applicable to remain a member in good standing or to trigger any disqualification under SRO rules prohibiting continuance in membership. This Order is not intended to form the basis of a disqualification under 204(a)(2) of the Uniform Securities Act of 1956 or Section 412(d) of the Uniform Securities Act of 2002. Except in an action by the Securities Division to enforce the obligations of this Order, any acts performed or documents executed in furtherance of this Order: (a) may not be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) may not be deemed or used as an admission of; or evidence of, any such alleged fault or omission of Respondent in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.

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 January 7, 2026.


Carter Lawrence (Jan 7, 2026 20:58:30 CST)

Carter Lawrence, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY:

Jennifer Carty-Schola

Jennifer Carty-Schola
Chief Operating Officer
Carty, Harding & Hearn, Inc.

Christopher G. Lazarini

Christopher G. Lazarini, BPR #015540
Bass, Berry & Sims PLC
100 Peabody Place, Ste 1300
Memphis, TN 38103
901-543-5702
clazarini@bassberry.com

Elizabeth H. Bowling
Elizabeth H. Bowling (Jan 7, 2026 16:26:05 CST)

Elizabeth H. Bowling
Assistant Commissioner for Securities
Department of Commerce and Insurance

Lovemore Nyashadzashe Gororo

Lovemore Nyashadzashe Gororo, BPR #036386
Associate Counsel
Department of Commerce and Insurance
500 James Robertson Parkway
Davy Crockett Tower
Nashville, TN 37243
615.253.5506
lovemore.n.gororo@tn.gov