

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

TENNESSEE SECURITIES DIVISION AND)	
TENNESSEE INSURANCE DIVISION,)	
)	
Petitioners,)	
)	APD No.: 12.06-211727J
v.)	TSD No.: 21-005
)	TID No.: 21-031
DAVID JOHN STRNAD,)	
)	
Respondent.)	

CONSENT ORDER

The Securities Division and Insurance Division of the Tennessee Department of Commerce and Insurance (collectively “Divisions”) and David John Strnad (“Respondent”) hereby stipulate and agree to the entry and execution of this Consent Order (“Consent Order”), subject to the approval of the Commissioner of the Tennessee Department of Commerce and Insurance (“Commissioner”) as follows:

I. 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 an order by the Commissioner.

2. This Consent Order is executed by the parties for the purpose of avoiding further administrative action with respect to this cause. Furthermore, 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.

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

4. The Respondent fully understands that this Consent Order will in no way preclude proceedings by state government representatives, other than the Commissioner, for alleged violations of the law addressed specifically in this Consent Order, violations of law under statutes, rules, or regulations of the State of Tennessee, which may arise out of the facts, acts, or omissions contained in the Findings of Fact and Conclusions of Law stated herein, or which may arise as a result of the entry and execution of this Consent Order by the Respondent.

5. The Respondent expressly waives all further procedural steps, and expressly 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 and execution of said Consent Order by the Commissioner.

II. AUTHORITY AND JURISDICTION

6. The Commissioner has jurisdiction of this action pursuant to the Tennessee insurance law, Title 56 of the Tennessee Code Annotated (“Tenn. Code Ann.”), specifically Tenn. Code Ann. §§ 56-1-103 and 56-6-112 (the “Law”) and § 48-1-116 of the Tennessee Securities Act of 1980 (the “Securities Act”), as amended, and Tenn. Code Ann. §§ 48-1-101 to 48-1-201. The Divisions are the lawful agents through which the Commissioner discharges this responsibility.

III. PARTIES

7. The Commissioner administers the Law through the Divisions and authorizes the

Divisions to bring this action for the protection of the public.

8. Respondent is a Tennessee resident with resident insurance producer license number 2030992.

9. Respondent's Central Registration Depository number ("CRD #") is 1982721.

IV. FINDINGS OF FACT

10. On or about May 30, 2019, the Financial Industry Regulatory Authority ("FINRA") entered into Letter of Acceptance, Waiver and Consent No. 2016051569601 ("AWC") with the Respondent for violation of FINRA Rule 2010, which requires that a registered representative "in the conduct of his business . . . observe high standards of commercial honor and just and equitable principles of trade."

11. The Facts and Violative Conduct section of the AWC states, in part, that the Respondent was given verbal authorization to buy new CD issuances upon maturity of prior CD issuances. The Respondent exceeded the scope of his authority by selling CDs owned by his client prior to maturity, nearly always at a loss, and using the proceeds of those sales to purchase new CD issuances. Approximately two hundred seventy-three (273) such transactions resulted in losses to the client of approximately one hundred thousand, five hundred seventy-two dollars (\$100,572), net of interest, and causing the client to pay the Respondent four thousand, two hundred sixty-eight dollars and seventy-three cents (\$4,268.73) in unnecessary commissions.

12. The AWC imposed upon the Respondent an eighteen (18) month suspension from association with any FINRA member firm in any capacity; disgorgement of a portion of commissions received in the amount of four thousand, two hundred sixty-eight dollars and seventy-three cents (\$4,268.73), plus interest; and a fine in the amount of ten thousand dollars (\$10,000).

13. On or about September 13, 2019, the Florida Department of Financial Services entered into a Consent Order (“Florida Consent Order”) with the Respondent, Case No. 249967-19-AG, suspending the Respondent’s licenses and eligibility for licensure and appointments for a period of eighteen (18) months.

14. On or about June 28, 2019, the Securities Division entered Order of Investigation 2019-0030 commencing an investigation into the activities of the Respondent, based on violation of FINRA Rule 2010.

15. On or about April 16, 2020, the Insurance Division entered Inquisitorial Order 20-054 commencing an investigation into the activities of the Respondent, based on failure to disclose the Florida Consent Order in accordance with Tenn. Code Ann. § 56-6-119(a).

16. On January 15, 2021, Chapwood Capital Investment Management, LLC (“Chapwood”) submitted an application on behalf of the Respondent for registration with the Securities Division to conduct business as an investment adviser representative in Tennessee.

17. The Respondent failed to disclose the Florida Consent Order to the Securities Division in his initial application, filed on January 15, 2021, when he responded “No” to the following questions of the Form U4 disclosure:

14D.(1)(d) Has any other Federal regulatory agency or any state regulatory agency or foreign financial regulatory authority ever: entered an order against you in connection with an investment-related activity?

14D.(1)(e) Has any other Federal regulatory agency or any state regulatory agency or foreign financial regulatory authority ever: denied, suspended, or revoked your registration or license or otherwise, by order, prevented you from associating with an investment-related business or restricted your activities?

18. On or about January 21, 2021, Chapwood filed a Form U4 amendment to disclose the Florida Consent Order to the Securities Division.

19. On January 22, 2021, the Securities Division issued a letter to Chapwood addressing deficiencies found during the examination of the Respondent's application regarding the disclosure of the Florida Consent Order.

20. On January 22, 2021, Chapwood filed a Form U4 amendment to correct the deficiencies noted in the Security Division's January 22, 2021, letter.

21. On February 19, 2021, the Securities Division entered an Order of Denial denying the Respondent's application for registration as an investment adviser representative in Tennessee.

22. On April 23, 2021, a Notice of Hearing and Charges ("NOHC") was filed with the Administrative Procedures Division of the Tennessee Secretary of State's Office ("APD").

23. On August 25, 2021, a hearing on the NOHC was held with Administrative Judge Claudia Padfield presiding.

24. On December 29, 2021, Administrative Judge Padfield entered an Initial Order.

25. On February 3, 2022, the Division filed a petition appealing the Initial Order to the Commissioner.

26. On June 9, 2022, Respondent filed a new application for registration as an investment adviser representative with Rowe Consulting Group, LLC ("Rowe").

V. CONCLUSIONS OF LAW

27. Pursuant to Tenn. Code Ann. § 48-1-115(a), the responsibility for the administration of the Securities 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).

28. 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:
 - (A) Has filed an application for registration which as of its effective date, or as of any date after filing in the case of an order denying effectiveness, includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;
 - (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; [or]
 - ...
 - (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.

29. Tenn. Code Ann. § 48-1-116 states, in pertinent part:

- (a) The commissioner may from time to time make, promulgate, amend, and rescind such rules, forms, and orders as are necessary to carry out this part, including rules, forms, and orders governing registration statements, applications, reports, and filing fees, and defining any terms, whether or not used in this part, insofar as the definitions are not inconsistent with this part. For the purpose of rules and forms, the commissioner may classify securities, persons, and matters within the commissioner’s jurisdiction, and prescribe different requirements for different classes.

30. Tenn. Comp. R. & Regs. 0780-04-03-.02(6) states, in pertinent part:

...

- (b) The following are deemed “dishonest or unethical business practices” by an agent under T.C.A. § 48-1-112(a)(2)(G), without limiting those terms to the practices specified herein:

...

- 9. Executing a transaction on behalf of a customer without authority to do so;
- 10. Exercising any discretionary power in effecting a transaction for a customer’s account without first obtaining written discretionary authority from the customer unless the discretionary power relates solely to the time and/or price for the execution of orders;

...

- 17. Violating any rule of a national securities exchange or national securities dealers association of which the agent is an associated person with respect to any customer, transaction, or business in this state[.]

31. FINRA Rule 2010 states that “[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade.”

32. Tenn. Code Ann. § 56-6-112 provides:

(a) The commissioner may place on probation, suspend, revoke or refuse to issue or renew a license issued under this part or may levy a civil penalty in accordance with this section or take any combination of those actions, for any one (1) or more of the following causes:

...

(2) Violating any law, rule, regulation, subpoena or order of the commissioner or of another state’s commissioner;

...

(8) Using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business in this state or elsewhere;

...

(e) The commissioner shall retain the authority to enforce this part and impose any penalty or remedy authorized by this part and this title against any person who is under investigation for or charged with a violation of this part or this title, even if the person’s license has been surrendered or has lapsed by operation of law.

(f) The commissioner may serve a notice or order in any action arising under this part by registered or certified mail to the insurance producer or applicant at the address of record in the files of the department. Notwithstanding any law to the contrary, service in the manner set forth in this subsection (f) shall be deemed to constitute actual service on the insurance producer or applicant.

(g) If, after providing notice consistent with the process established by § 4-5-320(c), and providing the opportunity for a contested case hearing held in accordance with the Uniform Administrative Procedures Act, compiled in title 4, chapter 5, the commissioner finds that any person required to be licensed, permitted, or authorized by the division of insurance pursuant to this chapter has violated any statute, rule or order, the commissioner may, at the

commissioner's discretion, order:

- (1) The person to cease and desist from engaging in the act or practice giving rise to the violation;
 - (2) Payment of a monetary penalty of not more than one thousand dollars (\$1,000) for each violation, but not to exceed an aggregate penalty of one hundred thousand dollars (\$100,000). This subdivision (g)(2) shall not apply where a statute or rule specifically provides for other civil penalties for the violation. For purposes of this subdivision (g)(2), each day of continued violation shall constitute a separate violation; and
 - (3) The suspension or revocation of the person's license.
- (h) In determining the amount of penalty to assess under this section, the commissioner shall consider:
- (1) Whether the person could reasonably have interpreted such person's actions to be in compliance with the obligations required by a statute, rule or order;
 - (2) Whether the amount imposed will be a substantial economic deterrent to the violator;
 - (3) The circumstances leading to the violation;
 - (4) The severity of the violation and the risk of harm to the public;
 - (5) The economic benefits gained by the violator as a result of noncompliance;
 - (6) The interest of the public; and
 - (7) The person's efforts to cure the violation.

VI. ORDER

NOW, THEREFORE, based on the foregoing, including the Respondent's waiver of the right to a hearing and appeal under the Law, the Securities Act, and the 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, admits the Findings of Fact and Conclusions of Law, and 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. §§ 48-1-111, 48-1-112, and 56-6-112, that of the Law, that:

1. The Respondent's Tennessee insurance producer number 2030992 be **SUSPENDED** for a six (6) month period. The suspension shall be considered as served and completed upon execution and entry of this Consent Order.

2. Respondent **PAY A CIVIL PENALTY** to the State of Tennessee of four thousand dollars (\$4,000.00). 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 ninety (90) days after the entry and execution of this Consent Order, and mailed to the attention of:

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

3. 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 disciplinary action, which may include the assessment of additional civil penalties up to and including revocation of his registration.

4. The Respondent voluntarily **WITHDRAWS** his application for registration as an investment adviser representative with Chapwood filed January 15, 2021, with the Securities Division.

Consent Order

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5. The Securities Division **APPROVES** Respondent's application for registration, effective the date of entry of this Order, as an investment adviser representative with Rowe filed June 9, 2022, subject to the Heightened Supervision Agreement attached as Exhibit A to this Consent Order.

6. Respondent hereby expressly agrees that failure to comply with any provision of the Heightened Supervision Agreement attached as Exhibit A to this Consent Order, as determined by the Assistant Commissioner, will result in automatic revocation of his registration as an investment adviser representative, and hereby waives any right to a hearing on this issue prior to automatic revocation.

7. 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 the Respondent for violations of the Law alleged by or currently known by the Division to have occurred with respect to the transactions involving the above-referenced facts contained herein.

8. Any and all appeals of the Initial Order issued on December 29, 2021 by either Petitioners or Respondent are withdrawn. This Consent Order represents the full compromise and settlement of the matters in APD No.: 12.06-211727J and supersedes, vacates, and replaces the Initial Order dated December 29, 2021.

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 Respondents affirmatively state the following: the Respondents freely agree to the entry and execution of this 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.

10. 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.

11. 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 August 23, 2022.


Carter Lawrence (Aug 23, 2022 15:38 CDT)

Carter Lawrence, Commissioner
Department of Commerce and Insurance

APPROVED FOR ENTRY AND EXECUTION:



David John Strnad
Respondent



Alan M. Wolper
Ulmer & Berne LLP
Counsel for Respondent



Elizabeth H. Bowling (Aug 23, 2022 13:39 CDT)

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



Bill Huddleston (Aug 16, 2022 10:27 CDT)

Bill Huddleston
Assistant Commissioner for Insurance
Department of Commerce and Insurance



Jacob R. Strait, BPR # 032389
Associate General Counsel
Department of Commerce and Insurance

EXHIBIT A

Heightened Supervision Agreement for David John Strnad

The purpose of this Heightened Supervision Agreement (the “Agreement”) is to describe the Heightened Supervisory Procedures of Rowe Consulting Group, LLC (“Rowe” or the “Firm”) as they relate to the activities of David Strnad. This Agreement is approved by the Securities Division of the Tennessee Department of Commerce and Insurance (“Division”) as indicated by the signature of the Assistant Commissioner for Securities below. These procedures will remain in effect for an initial period of two (2) years from the date of the last execution below. At the conclusion of the initial two (2) year period, the Agreement will be assessed by all Firm principals registered at the time – with the exception of Mr. Strnad – for determination whether to continue with the Agreement, as is; continue the Agreement in some amended fashion; or terminate the Agreement.

This Agreement sets forth the conditions under which Mr. Strnad will be supervised and the manner in which these procedures are carried out. The Agreement will be used to define the special conditions under which Mr. Strnad will be permitted to associate with Rowe. Like all other individuals associated with the Firm, Mr. Strnad will be required to adhere to all applicable regulatory rules, as well as Firm policies and procedures, in addition to the following terms of this Agreement:

1. Mr. Strnad will conduct all “securities and advisory business” from his home office, located at 1501 Bledsoe Ln., Franklin TN, during normal office hours, i.e., approximately from 7 am to 5 pm. The phrase “securities and advisory business” is defined to mean communicating with actual and prospective customers about securities, accounts, trading, and strategies. Expressly excluded from that definition are activities that do not include communicating with actual and prospective customers about such topics. Thus, for example, Strnad may conduct analyses of securities, and customer accounts, from locations other than his designated office.
2. Robert Rowe shall principally supervise Mr. Strnad while he is on-site at his designated office during the term of the Plan.
3. In the event Mr. Rowe is on vacation or out of the office for an extended period, an alternate supervisor will act as his designee and serve as Mr. Strnad’s supervisor. The designee shall be a compliance consultant who has specific experience in securities industry compliance and in the direct supervision of registered individuals. The compliance consultant shall be subject to the review and approval of the Tennessee Securities Division. Selection, review and approval of the compliance consultant shall be completed within ninety (90) days following entry of this and HSP and accompanying consent order.
4. In the event that there is a change in the principal supervisor designated to handle the Agreement, then the Firm will notify the Division’s Director of Registration (“Director”) of the change. The appointment of a new principal supervisor designated to handle the Agreement will be subject to the review and approval of the Division.

EXHIBIT A

5. Mr. Strnad shall be subject to semi-annual on-site compliance audits conducted by the Division.
6. Mr. Strnad shall complete six (6) hours of ethics continuing education courses within six (6) months of the commencement of this Agreement, with proof of completion submitted to the Director.
7. 100% of Mr. Strnad's outgoing "communications," as defined in FINRA Rule 2210(a)(1), will be reviewed and approved by Mr. Rowe, or his/her designee, on no less frequently than a weekly basis;
8. 100% of Mr. Strnad's incoming communications will be reviewed by Mr. Rowe, or his designee, on no less frequently than a weekly basis;
9. 100% of all transactions recommended by Mr. Strnad shall be reviewed and approved by Mr. Rowe, or his designee, prior to execution;
10. 100% of all CD transactions shall be reviewed and approved by the principal supervisor of the Agreement to verify that the CDs are not being sold or purchased prior to maturity or in a manner which would cause a loss to the investor.
11. Prior to the opening of any new customer account by Mr. Strnad, it shall be reviewed and approved by Mr. Rowe, or his designee. Approvals of account paperwork, including that in which discretionary authority is granted by the client, shall be documented by date and endorsement by Mr. Rowe or his designee. The Firm shall keep copies of Mr. Strnad's account paperwork segregated for ease of review during any internal or regulatory examination.
12. The Agreement's principal supervisor shall review and approve on a bi-monthly basis all commissions and compensation received by Mr. Strnad.
13. No less than quarterly, the Firm shall conduct a public records search about Mr. Strnad, in an effort to ensure that Mr. Strnad has timely made any and all required disclosures, and the Firm will maintain records of those searches;
14. No less than semi-annually, Mr. Strnad shall sign an attestation prepared by the Firm's outside counsel that he has read the Firm's Compliance Manual, Written Supervisory Procedures, this Agreement, and any other documents containing Firm policies relating to his obligations to his clients and the Firm, that he understands those policies, and that he has acted, and is acting, in complete compliance with those policies;
15. Mr. Strnad will immediately (i.e., same day) refer ALL customer complaints, whether written or verbal, to the Firm's CCO. The Firm will document what measures were taken to investigate any such complaint (e.g., contact with the customer and interview with Mr. Strnad), the findings, and the resulting resolution. Documents pertaining to any complaint shall be kept segregated for ease of review during any internal or regulatory

EXHIBIT A

examination.

16. The Firm's Chief Compliance Officer shall certify in writing on a quarterly basis to the Director that all terms of this Agreement are being complied with by the Firm and Mr. Strnad.
17. In the event that Mr. Strnad fails to comply with any component of the Agreement as outlined above, the Firm will take appropriate disciplinary action against him. Such discipline may include: monetary fine, restrictions on his activities, suspension, and/or termination.
18. In the event that either the Firm, or Mr. Strnad, or both fail to comply with any component of the Agreement as outlined above, the following actions will be taken. The Firm's failure to comply will result in the Division taking such regulatory enforcement action as it deems appropriate and as outlined in the Tennessee Securities Act of 1980, as amended, at Tenn. Code Ann. § 48-1-101 *et. seq.* Mr. Strnad's failure to comply with any component of the Agreement will result in the revocation action found in Part VI Order, Paragraph 6.

ACKNOWLEDGEMENT

By my signature below, I agreed to abide the Heightened Supervisory Procedures outlined above.

Robert B. Rowe, President/CCO

Date



David Strnad

August 11, 2022
Date

EXHIBIT A

examination.

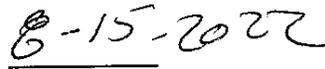
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- 17. In the event that Mr. Strnad fails to comply with any component of the Agreement as outlined above, the Firm will take appropriate disciplinary action against him. Such discipline may include: monetary fine, restrictions on his activities, suspension, and/or termination.
- 18. In the event that either the Firm, or Mr. Strnad, or both fail to comply with any component of the Agreement as outlined above, the following actions will be taken. The Firm's failure to comply will result in the Division taking such regulatory enforcement action as it deems appropriate and as outlined in the Tennessee Securities Act of 1980, as amended, at Tenn. Code Ann. § 48-1-101 *et. seq.* Mr. Strnad's failure to comply with any component of the Agreement will result in the revocation action found in Part VI Order, Paragraph 6.

ACKNOWLEDGEMENT

By my signature below, I agreed to abide the Heightened Supervisory Procedures outlined above.



Robert B. Rowe, President/CCO



Date

David Strnad

Date