

**STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION**

IN RE: STEPHEN POLAK)	
(CRD # 5228523))	DOCKET NO. 21-048-S
)	
)	

STIPULATION AND CONSENT ORDER

WHEREAS, the Vermont Department of Financial Regulation (the “Department”) asserts that Stephen M. Polak (“Respondent”) has violated the securities laws as set forth below; and

WHEREAS, Respondent and the Department wish to resolve these violations without further administrative proceedings or litigation;

NOW, THEREFORE, Respondent and the Department stipulate and agree to the terms and conditions in this Stipulation and Consent Order.

STATEMENT OF FACTS

1. Since at least January 2018, Respondent Stephen M. Polak has been a Vermont-registered broker-dealer agent associated with the broker-dealer firm Avantax Investment Services, Inc. (“Avantax”), formerly doing business as H.D. Investment Securities, Inc., as a registered representative.
2. Since at least January 2018, Respondent has held Financial Industry Regulatory Authority, Inc. (“FINRA”) Series 6, 63, and 65 licenses.
3. Since at least January 2018, Respondent has also been an investment-advisor representative of the firm Avantax Advisory Services, Inc.
4. Respondent’s FINRA Central Registry Depository (“CRD”) # is 5228523.

5. Since at least January 2018, Respondent has been one of the principals of TABS, Inc., a Vermont-based corporation offering financial, tax, and accounting services to individuals and businesses that Respondent owns and operates with his spouse.
6. From approximately April 2018 to April 2022, Respondent served as the Chief Financial Officer and a board member for Colomont, Inc., (“Colomont”) a Vermont-based corporation whose principal business is developing and selling cannabidiol (“CBD”) and CBD-infused products.
7. From approximately April 2018 to October 2020 shares in Colomont were advertised and sold to the public.
8. The shares sold by Colomont are securities as defined in 9 V.S.A. § 5102(28) and have at no time been registered with the Department.
9. From April 2018 to April 2022 Respondent was authorized on Colomont’s bank accounts and had primary responsibility for Colomont’s accounting and bookkeeping, including at times receiving payments on behalf of Colomont for shares and maintaining a ledger of Colomont share transactions.
10. In at least 2019 and 2020, Respondent at times received several e-mails from individuals interested in purchasing Colomont shares and then-current shareholders in Colomont asking about share certificates, the buy-back of shares, and share value, at times responding himself and at times forwarding the e-mails to Colomont’s Chief Executive Officer and others at Colomont.
11. Respondent holds approximately 30 million shares in Colomont, all or a vast majority of which he was gifted by Colomont in return for or in recognition of Respondent’s service to Colomont.

12. Pursuant to Avantax policies as well as applicable securities law, Respondent has had, at all times relevant to this matter, an ongoing obligation to notify and obtain approval from the firm prior to engaging in business activities falling outside the scope of his work with the firm as well as to update his disclosure of outside business activities already disclosed to reflect any significant changes, commonly referred to as “outside business activities.”
13. In the years 2018, 2019, and 2020, Respondent completed training provided by Avantax that identified Respondent’s responsibility to disclose outside business activities to his firm.
14. For the years 2018, 2019, and 2020, Respondent provided express affirmations to Avantax that he understood his obligation to disclose outside business activities.
15. At no time in 2018, 2019, or 2020 did Respondent disclose to Avantax his position as Chief Financial Officer at Colomont; his membership on Colomont’s board; the accounting and bookkeeping services he provided to Colomont, including his receipt of payments for Colomont share sales and his maintenance of a ledger of Colomont share transactions, and his correspondence with current and future shareholders; or his receipt of compensation in the form of Colomont shares.
16. As of July 1, 2022, Respondent has ceased serving as a board member and the Chief Financial Officer of Colomont and has ceased offering services in any other capacity to Colomont.

LEGAL STANDARDS AND DESCRIPTION OF VIOLATIONS

17. The Commissioner of Financial Regulation is responsible for administering and enforcing the securities laws of the State of Vermont and is authorized to investigate

securities activities to determine compliance with Vermont law and to issue orders imposing administrative penalties, remedial actions, and discipline of a registrant pursuant to 8 V.S.A. §§ 10-13 and 9 V.S.A. §§ 5412 and 5601-14.

18. Pursuant to 9 V.S.A. § 5604(a) and (d), the Commissioner may impose an administrative penalty of up to \$15,000 for each violation of the Vermont Uniform Securities Act (9 V.S.A. §§ 5101-5616) and the Vermont Securities Regulation (V.S.R.) and may require restitution and the disgorgement of any sums obtained in conjunction with such violations.
19. Pursuant to 9 V.S.A. § 5412(c) and (d)(2), the Commissioner may impose an administrative penalty, and recover the costs of investigating the registrant, upon finding that it is in the public interest to do so and that a registrant has willfully violated the Vermont Uniform Securities Act or the Vermont Securities Regulation within the previous 10 years.
20. Pursuant to 9 V.S.A. § 5412(b) and (d)(2) and § 5604(a), the Commissioner may revoke, suspend, condition, or limit a broker-dealer agent's registration, and take other action as necessary or appropriate, upon finding that it is in the public interest to do so and that the registrant has willfully violated the Vermont Uniform Securities Act of the Vermont Securities Regulation within the previous 10 years.
21. Pursuant to V.S.R. § 2-2(b)(2), incorporating FINRA Rule 3270, it is a violation of the Vermont Securities Regulation for a broker-dealer agent to fail to provide written notice to their firm of business activity, including officer or director positions, that falls outside the scope of the agent's relationship with their broker-dealer firm.

22. By failing to disclose, to the broker-dealer firm with which he is registered, his position as Chief Financial Officer at Colomont, his membership on Colomont's board, the accounting and bookkeeping services he provided to Colomont, and the compensation he received therefor, Respondent violated V.S.R. § 2-2(b)(2) between at least April 2018 and December 2020.
23. By failing to disclose his involvement with Colomont to the broker-dealer firm with which he is registered while providing express affirmations each year to the firm that he understood his obligation to disclose outside business activities, following annual trainings on the subject, Respondent willfully violated the Vermont Securities Regulation in 2018, 2019, and 2020, violations of 9 V.S.A. § 5412(d)(2).
24. By serving as the Chief Financial Officer, serving as a board member, and completing the accounting and bookkeeping of a corporation selling unregistered securities to the public, including receiving payments for the shares on behalf of the corporation and maintaining the ledger of share sales, Respondent failed to act responsibly as a broker-dealer agent and willfully violated the Vermont Uniform Securities Act between at least April 2018 and December 2020, a violation of 9 V.S.A. § 5412(d)(2).

CONSENT ORDER

25. Respondent shall pay an administrative penalty of \$65,000, of which \$50,000 shall be suspended as long as Respondent remains in compliance with the terms and conditions of Paragraphs 26-29.
26. Payment of the remaining \$15,000 administrative penalty shall be made in quarterly installments of \$1,875, starting 90 days from the date of entry of this Stipulation and

Consent Order, and shall be made via wire or check made payable to the “Department of Financial Regulation” and mailed to:

Attn: Beth Sides
Department of Financial Regulation
Legal Division
89 Main Street
Montpelier, VT 05620-3101

27. Respondent’s Vermont broker-dealer agent and investment-advisor representative registrations are suspended for a period of 60 days following the date of entry of this Stipulation and Consent Order, during which time Respondent shall not conduct securities or investment business on behalf of any Vermont clients.
28. Respondent shall disclose all outside business activities and private security transactions to his supervising broker-dealer firm as required pursuant to securities law and shall, for the years 2022, 2023, and 2024, provide a copy of such disclosures to the Department simultaneous to his disclosure to his broker-dealer firm by e-mail to Sarah.Heim, Director of Examinations and Enforcement, at sarah.heim@vermont.gov or other such person as the Deputy Commissioner of Securities shall designate in writing.
29. Respondent shall permanently cease and desist offering financial, tax, and accounting services, including securities and investment advice, to businesses engaged in the sale of unregistered securities to the public.
30. Respondent acknowledges and admits the jurisdiction of the Commissioner over the subject matter of this Stipulation and Consent Order.
31. With respect to the facts and violations identified herein, Respondent waives his right to a hearing before the Commissioner or the Commissioner’s designee and waives his right to all other administrative or judicial review otherwise available under Vermont law,

including the rules of the Vermont Department of Financial Regulation and the provisions of 3 V.S.A., Chapter 25.

32. This Stipulation and Consent Order is entered into solely for the purpose of resolving the violations identified herein, is not intended for any other purpose, and does not constitute an admission of liability on the part of Respondent for any other purpose.
33. Respondent understands all terms and conditions in this Stipulation and Consent Order, consents to the entry of this Stipulation and Consent Order, and acknowledges that his consent is given freely and voluntarily and that, except as set forth herein, no promise was made to induce Respondent's consent.
34. Noncompliance with any of the terms and conditions in this Stipulation and Consent Order shall be a violation of a lawful order of the Commissioner and a violation of the laws of the State of Vermont and may result in additional administrative action and the imposition of injunctive relief, sanctions, and additional penalties pursuant to applicable provisions of Title 8 and 9 of the Vermont Statutes Annotated.
35. Nothing herein shall be construed as limiting the Commissioner's ability to investigate Respondent for violations not resolved herein or to respond to and address any consumer complaints made with regard to Respondent.
36. Nothing herein shall be construed as having relieved, modified, or in any manner affected Respondent's ongoing obligation to comply with all federal, state, or local statutes, rules, and regulations applicable to Respondent.
37. Nothing herein shall be construed as limiting any private right of action a person may have.

38. This Stipulation and Consent Order shall be governed by and construed under the laws of the State of Vermont.

SIGNATURES

The terms and conditions set forth in this Stipulation and Consent Order are hereby stipulated and agreed to.

STEPHEN M POLAK

By:  _____ Date 9/13/22

The terms and conditions set forth in this Stipulation and Consent Order are hereby stipulated, agreed to, and ordered.

VERMONT DEPARTMENT OF FINANCIAL REGULATION

By:  _____ Date 09/14/2022
Kevin J. Gaffney
Commissioner of Financial Regulation
Vermont Department of Financial Regulation