

**STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION**

IN RE: AVANTAX INVESTMENT)	
SERVICES, INC.)	DOCKET NO. 21-049-S
(CRD # 13686))	
)	

STIPULATION AND CONSENT ORDER

WHEREAS, the Vermont Department of Financial Regulation (the “Department”) asserts that Avantax Investment Services, Inc. (“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;

WHEREAS, Respondent wishes to resolve this investigation without the need for further proceedings and solely for that purpose, does hereby consent to the following Order.

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 Avantax Investment Services, Inc., formerly doing business as H.D. Vest Investment Securities, Inc., has been a Vermont-registered broker dealer firm with the assigned Financial Industry Regulatory Authority, Inc. (“FINRA”) Central Registry Depository (“CRD”) # 13686.
2. Since at least January 2018, Stephen M. Polak has been a Vermont-registered broker dealer agent associated with Respondent as a registered representative and having the assigned CRD # 5228523.

3. Since at least January 2018, Mr. Polak 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.
4. Since at least January 2018, Mr. Polak has used at least two business-specific email addresses associated with TABS, Inc. for the securities and investment services he provides under Respondent's supervision.
5. Since approximately April 2018, Mr. Polak has 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.
6. From approximately April 2018 to October 2020 shares in Colomont were advertised and sold to the public.
7. 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.
8. Since approximately April 2018, Mr. Polak has been 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.
9. Mr. Polak holds approximately 30 million shares in Colomont, all or a vast majority of which he was gifted by Colomont in return for or recognition of providing services to Colomont.
10. Pursuant to Respondent's policies, in the years 2018, 2019, and 2020, Mr. Polak was under an ongoing obligation to forward, carbon copy, or provide in hard copy to

Respondent e-mails from his TABS, Inc. e-mail addresses that concerned securities and investment services.

11. In at least 2019 and 2020, Mr. Polak received e-mails at his TABS, Inc. e-mail addresses from then-current Colomont shareholders and individuals interested in purchasing Colomont shares.
12. In July 2018, Respondent completed an audit evaluating Mr. Polak's office sales activities, books, and records to determine compliance with Respondent's policies and procedures.
13. During Respondent's audit, Mr. Polak identified two e-mail addresses associated with TABS, Inc. that he used to conduct securities and investment services and also noted that he had disclosed these e-mail addresses to Respondent previously.
14. In September 2018, Respondent concluded its audit, ultimately assigning Mr. Polak's office the highest possible rating of "adequate," indicating that Mr. Polak's "[r]equired books and records were available and no sales practice violations were noted."
15. Respondent has cooperated with the Department in its investigation by promptly responding to inquiries and requests for information.
16. As of June 22, 2022, Respondent has updated its written supervisory procedures and compliance manual, which, as updated, are reasonably designed to achieve compliance with security laws and regulations in connection with the review of its agents' incoming and outgoing written correspondence related to securities and investment services, including during periodic audits.

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)(9), 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 failed to reasonably supervise its agent and the agent has violated the Vermont Uniform Securities Act or the Vermont Securities Regulation.
20. Pursuant to V.S.R. § 2-2(b)(2), incorporating FINRA Rule 3110(a), it is a violation of the Vermont Securities Regulation for a broker-dealer firm to fail to establish and maintain a system to supervise the activities of its agents that is reasonably designed to achieve compliance with security laws and regulations.
21. Pursuant to V.S.R. § 2-2(b)(2), incorporating FINRA Rule 3110(b)(4), it is also a violation of the Vermont Securities Regulation for a broker-dealer firm to fail to maintain and implement written procedures that address the review of its agents'

incoming and outgoing written correspondence, including electronic correspondence, pertaining to the agents' investment and securities business.

22. 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, commonly referred to as "outside business activities."
23. By failing to either obtain or review Mr. Polak's e-mails from his TABS, Inc. e-mail addresses, Respondent failed to maintain and implement adequate written procedures for review of incoming and outgoing written correspondence of Mr. Polak in 2019 and 2020, violations of V.S.R. § 2-2(b)(2) and 9 V.S.A. § 5412(d)(9).
24. By not identifying, during its 2018 audit of Mr. Polak and evident in e-mails received by Mr. Polak in 2019 and 2020 at his TABS, Inc. e-mail addresses, Mr. Polak's officer position and board membership with Colomont, Respondent failed to investigate and address its agent's engagement in outside business activities, ultimately resulting in Respondent taking no action over the span of three years to address its agent's involvement in Colomont. As noted in Paragraphs 6 and 7, Colomont sold unregistered securities to the public. Respondent thus failed to implement a reasonable supervision system over Mr. Polak in 2018, 2019, and 2020, violations of V.S.R. § 2-2(b)(2) and 9 V.S.A. § 5412(d)(9).

CONSENT ORDER

25. Within 30 calendar days of the entry of this Stipulation and Consent Order by the Commissioner, Respondent shall pay an administrative penalty of \$60,000. Payment

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

26. Respondent acknowledges and admits the jurisdiction of the Commissioner over the subject matter of this Stipulation and Consent Order.
27. With respect to the facts and violations identified herein, Respondent waives its right to a hearing before the Commissioner or the Commissioner’s designee and waives its 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.
28. This Stipulation and Consent Order is entered into solely for the purpose of resolving the violations identified herein, and it is not intended for any other purpose.
29. 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 its consent is given freely and voluntarily and that, except as set forth herein, no promise was made to induce Respondent’s consent.
30. 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.

31. Upon receipt by the Department of the full \$60,000 administrative penalty paid by Respondent in accordance with the terms of this Stipulation and Consent Order, this Stipulation and Consent Order will be deemed to have documented the resolution of this matter and will not be a basis for action against Respondent by the Department arising out of these same facts, except in determining any action or penalty that may be imposed by the Department for any future violations of law by Respondent.
32. 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.
33. 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.
34. This Stipulation and Consent Order is not intended by the Department, and shall not be deemed, to subject Avantax Investment Services, Inc. or any of its officers, directors, affiliates, current or former employees or other persons to any disqualification under the laws of Vermont, any other state, the District of Columbia or any United States commonwealth or territory ("Jurisdiction") including without limitation, under Rule 506(d)(1) of Regulation D (17 C.F.R. 230.506(d)) or Rule 262(a) of Regulation A (17 C.F.R. 230.262(a)), or the rules of any self-regulatory organization ("SRO"), including without limitation any disqualification from being registered with any Jurisdiction or being a member or associated person of a member of any SRO, or from relying upon any Jurisdiction's securities registration exemptions, safe harbor, or similar provisions. Nothing in this Stipulation and Consent Order is intended in any way to subject Avantax

Investment Services, Inc. or any of its affiliates to any statutory disqualification by FINRA in any way.

35. This Stipulation and Consent Order is not, and shall not be deemed to be, a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative or deceptive conduct.
36. Nothing herein shall be construed as limiting any private right of action a person may have.
37. This Stipulation and Consent Order shall be governed by and construed under the laws of the State of Vermont.

SIGNATURES

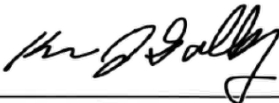
The terms and conditions set forth in this Stipulation and Consent Order are hereby stipulated and agreed to. I certify under the pains and penalties of perjury that I have taken all necessary steps to obtain the authority to bind Avantax Investment Services, Inc. to this Stipulation and Consent Order and that I have been duly authorized to enter into this Stipulation and Consent Order on behalf of the named Respondent.

AVANTAX INVESTMENT SERVICES, INC.

By: DocuSigned by:
Todd Mackay
4111B59CAD1A442... 9/8/2022 | 8:33 AM PDT
 Printed name: Todd Mackay Date
 Title: CEO

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:  9/13/2022
 Kevin J. Gaffney Date
 Commissioner of Financial Regulation
 Vermont Department of Financial Regulation