

**STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION**

IN RE:)
THOMAS M. CHADWICK (CRD # 2870028),)
CHADWICK & D’AMATO, LLC) **DOCKET NO. 22-011-S**
(CRD # 116197), AND CHADWICK)
CONSULTING, LLC (CRD # 318079))
)

EX PARTE ORDER TO CEASE AND DESIST

Based on the Motion for Ex Parte Order to Cease and Desist (the “Motion”) filed by the Securities Division of the Vermont Department of Financial Regulation (the “Department”) pursuant to 9 V.S.A. § 5602 and § 5604 and Department Regulation No. 2022-01, the Commissioner makes the following Findings of Fact and Conclusions of Law and enters the following Order:

I. FINDINGS OF FACT

Respondents

1. Thomas M. Chadwick (“Chadwick”) is a resident of New London, New Hampshire, who was registered as an investment advisor representative in the State of Vermont until December 23, 2021, at which time his registration was terminated; he has not been registered since that date in Vermont or any other state. Chadwick’s CRD number is: 2870028.

2. Since at least December 31, 2021, Chadwick has not held an investment advisor registration, a broker-dealer registration, or a registration in any other capacity with the Department which would allow him to lawfully conduct business concerning securities. Additionally, since at least December 31, 2021, Chadwick has not been affiliated with a broker-dealer as a registered agent or with an investment adviser firm as an investment adviser representative.

3. Chadwick's Vermont registration was held with Chadwick & D'Amato, LLC ("Chadwick & D'Amato"). Chadwick & D'Amato's CRD number is: 116197. Chadwick was a principal of Chadwick & D'Amato until it filed a certificate of cancellation with the New Hampshire Secretary of State on March 30, 2022. Chadwick & D'Amato's principal place of business was located at 195 Main Street, New London, NH 03257.

4. Chadwick & D'Amato's New Hampshire registration was withdrawn on December 31, 2021. Chadwick & D'Amato's Vermont registration was voluntarily terminated on December 31, 2021.

5. In November 2021, Chadwick formed Chadwick Consulting, LLC ("Chadwick Consulting"), a new investment adviser firm with a principal place of business located at 195 Main Street, New London, NH 03257. Chadwick Consulting's CRD number is: 318079. Chadwick is a principal of Chadwick Consulting.

6. In December 2021, Chadwick Consulting submitted an application to register as an investment adviser with the Department; Chadwick Consulting subsequently withdrew that application in February 2022.

7. Chadwick Consulting is not currently registered as an investment adviser in Vermont or any other state.

Investigation

8. In 2021, the Department began an investigation into Respondents related to the suitability of certain trades that had been executed between 2019 and 2021 on behalf of Vermont clients.¹ The investigation is ongoing.

¹ While the Department has serious concerns related to this trading activity, and while future enforcement action is likely to be brought in relation to it, this Order does not relate to Respondents' trading activity in 2019-2021. This Order relates to Respondents' unlicensed

9. As part of the Department’s investigation, it has collected documents and conducted interviews with some of Respondents’ Vermont clients.

10. In the course of its investigation, the Department learned that, after Chadwick’s Vermont registration ended on December 31, 2021, Chadwick met with some of his Vermont clients, discussed their accounts, and sent numerous emails to Vermont clients that contained investment advice.

11. The Department has also learned that Chadwick represented to Vermont clients via email that he expected to be registered in the near future and that he intended to resume his investment adviser business as soon as Chadwick Consulting is registered in New Hampshire and Vermont.

12. In early January 2022, Chadwick sent his clients, including Vermont residents, an email memorandum explaining that Chadwick & D’Amato was closing on December 31, 2021, and indicating that all client accounts would be transferred to Chadwick Consulting on January 3, 2022 (the “Transition Memo”). He noted that Chadwick Consulting “could not be registered until an open regulatory review was completed for Chadwick & D’Amato.” He informed clients that their accounts would “enter the New Year in a fully updated status” and informed them that “no action” was required in the “short term.”

13. On March 8, 2022, Chadwick emailed a Vermont client informing him that his “accounts are holding up well” and requesting a meeting to discuss “taxes and review.”

Access and Trading in the Fidelity Accounts

14. While registered as an investment adviser in Vermont, Chadwick conducted his fee-based investment advisory business through Fidelity Brokerage Services, LLC (“Fidelity”).

activity in 2022 that the Department uncovered during its investigation and believes to be ongoing.

15. As of December 31, 2021, Fidelity terminated its relationship with Chadwick and Chadwick & D'Amato and removed them from Fidelity's custody platform. At that point, Respondents no longer had lawful access to their clients' retail customer accounts held at Fidelity (the "Fidelity Accounts"). Fidelity sent a letter to Chadwick & D'Amato's former clients explaining the termination of the relationship and indicating that Chadwick could no longer access or manage the Fidelity Accounts.

16. In the Transition Memo, Chadwick explained to his clients, including Vermont residents, that he would be unable to access Fidelity's management platform until his new firm was properly registered in New Hampshire and Vermont.

17. On April 15, 2022 Fidelity informed the Department that a device that Fidelity believes to belong to Chadwick and Chadwick Consulting had accessed twenty-seven (27) of the Fidelity Accounts since January 1, 2022 and was using the client login credentials to access each account. Specifically, Fidelity determined that the IP address associated with those logins matched the IP address for Chadwick & D'Amato's former custody platform. Fidelity further indicated that various securities were purchased in the accounts and that there was a "pattern of trading" conducted in several of the accounts. As a result, Fidelity indicated to the Department that it had locked down the accounts, forced password and login resets, and reassigned account numbers for the 27 Fidelity Accounts.

18. On April 22, 2022, Fidelity provided the Department with data related to the 27 Fidelity Accounts that were accessed by an IP address associated with Chadwick and D'Amato, as well as a trade blotter for those accounts. Through lining up the time of access to the Fidelity Accounts with the time of trades, the Department was able to identify five trades in the Fidelity Accounts of four Vermont residents that were likely executed by Chadwick:

Client	Date	Access Time	Trade Time	Product
Vermont Client #1	1/24/2022	3:46 pm	3:58 pm	ETHE ²
Vermont Client #2	2/10/2022	2:39 pm	2:41 pm	ETHE, GBTC ³
Vermont Client #3	3/25/2022	2:53 pm	2:59 pm	ETHE
Vermont Client #4	3/25/2022	3:05 pm	3:07 pm	ETHE
Vermont Client #4	3/25/2022	3:09 pm	3:10 pm	ETHE

19. These actions are consistent with Chadwick’s email to a Vermont client on January 5, 2022 (at which time he was not registered in any capacity) stating: “[w]e can always log into your Fidelity accounts together . . . , should anything need to be done in the short-term.”

20. Similarly, through lining up the time of access to the Fidelity Accounts by an IP address associated with Chadwick and D’Amato with the time of trades, the Department has identified twelve additional trades in the Fidelity Accounts of New Hampshire residents that were likely executed by Chadwick. Although not directly relevant to the violations of the Vermont Uniform Securities Act, this demonstrates a strong correlation between access and trades in the Fidelity Accounts, making it highly likely that Chadwick executed most if not all of these trades.

21. The Department remains concerned that Chadwick may be continuing to attempt to access the Fidelity Accounts of Vermont residents and execute trades in those accounts.

II. CONCLUSIONS OF LAW

22. Pursuant to 9 V.S.A. § 5403 and § 5404, it is unlawful for a person to advise others, for compensation, on the value of securities or the advisability of investing in or purchasing securities without an investment advisor registration, or an investment adviser

² ETHE is the symbol for Grayscale Ethereum Trust.

³ GBTC is the symbol for Grayscale Bitcoin Trust.

representative registration, with the Securities Division unless they fall within statutory exemptions.

23. Pursuant to 9 V.S.A. § 5401 and § 5402, it is unlawful for a person to offer, purchase, or sell securities on behalf of others without a broker-dealer registration, or registration as an agent with a broker-dealer, with the Securities Division, unless they fall within statutory exemptions.

24. Respondents do not qualify for any of the statutory exemptions to the registration required by 9 V.S.A. §§ 5401-04.

25. By providing investment advice to Vermont residents, for compensation, and by buying and selling securities in the Fidelity Accounts on behalf of Vermont residents, without the required registration with the Securities Division, Respondents violated 9 V.S.A. § 5401, § 5402, § 5403, and § 5404.

26. Pursuant to 9 V.S.A. § 5412(d)(13), a person may be disciplined under § 5412(a)-(c) if the person “has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous 10 years.”

27. Pursuant to V.S.R. § 7 (b)(1)(B), the Commissioner may institute a revocation or suspension proceeding under 9 V.S.A. § 5412 up to one year after voluntary termination of an investment adviser became effective.

28. By using his Vermont clients’ credentials to access the Fidelity Accounts, Chadwick engaged in a dishonest or unethical practice in violation of 9 V.S.A. § 5412(d)(13).

III. COMMISSIONER’S AUTHORITY

29. Pursuant to 9 V.S.A. § 5604(a)(1), the Commissioner may issue orders or directives to any person to cease and desist from specific conduct if the Commissioner finds that

the person has engaged, is engaging, or is about to engage in an act, practice, or course of business which constitutes a violation of 9 V.S.A. Chapter 150, the Vermont Uniform Securities Act, which spans 9 V.S.A. § 5101 to § 5616.

30. Pursuant to 9 V.S.A. § 5604(b) and Section 1.04(O) of the Department of Financial Regulation No. 2022-01, the Commissioner may issue orders without prior notice or opportunity to be heard.

31. In light of the immediate need to protect the financial health and welfare of Vermont residents who may be affected by Respondents' conduct or otherwise harmed by Respondents' violations of the Vermont Uniform Securities Act identified herein, an *ex parte* order is appropriate in this case.

32. Pursuant to 8 V.S.A. § 13 and 9 V.S.A. § 5602(b), the Commissioner may require the production of records.

IV. ORDER

33. Based on the findings of fact and conclusions of law identified above, IT IS HEREBY ORDERED:

- A. Respondents shall cease and desist offering and providing investment advice and services to others in Vermont;
- B. Respondents shall cease and desist offering, purchasing, and selling securities on behalf of others in Vermont;
- C. Respondents shall cease and desist from accessing the Fidelity Accounts of Vermont residents or any other investment or brokerage accounts held by Vermont residents;

- D. Respondents shall not withhold, destroy, mutilate, or by any means modify or falsify any documentary material, electronic records, or other information in their possession that is relevant to the activities and transactions described herein or that involves or relates in any way to any agreements of any kind entered into by Respondents with Vermont residents for the provision of investment advice or services or the purchase or sale of securities; and
- E. Respondents shall produce to the Department, by May 13, 2022, all documents referenced in subsection (D) above.

Dated at Montpelier, Vermont this 3rd day of May 2022.



Michael S. Pieciak
Commissioner of Financial Regulation
Vermont Department of Financial Regulation