

**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))
)

STIPULATION AND CONSENT ORDER

WHEREAS, the Vermont Department of Financial Regulation (the “Department”) asserts that Thomas M. Chadwick, Chadwick & D’Amato, LLC, and Chadwick Consulting, LLC (collectively, the “Respondents”), have violated the securities laws as set forth below; and

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

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

FINDINGS OF FACTS

A. Respondents

1. Thomas M. Chadwick (“Chadwick”) is a resident of New London, New Hampshire, who was registered as an investment adviser 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. Chadwick’s Vermont registration was held with Chadwick & D’Amato, LLC (“Chadwick & D’Amato”), which also operated out of New London, New Hampshire. Chadwick & D’Amato’s CRD number is 116197. Chadwick & D’Amato’s registration was voluntarily

terminated on December 31, 2021. 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.

3. 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.

B. Background on Thomas Chadwick and Chadwick & D’Amato

4. While registered with Vermont, Chadwick conducted a fee-based investment advisory business through Fidelity Brokerage Services, LLC (“Fidelity”). Fidelity also had custody of Chadwick’s clients’ funds.

5. According to Chadwick & D’Amato’s Form ADV Part 2A, Chadwick provided “Ongoing Management Services,” which included continuous management of clients’ investment portfolios on a discretionary basis.

6. The Form ADV Part 2 further stated that clients’ accounts were “managed on the basis of the client’s financial circumstances and investment objectives.”

7. Prior to 2019, Chadwick invested most of his clients’ assets in an SEC-registered mutual fund called “The Chadwick & D’Amato Fund,” (the “C&D Fund”) which was managed by Chadwick and his business partner.

8. In 2019, Chadwick & D’Amato announced that it was closing the C&D Fund. As the fund wound down, Chadwick transferred most of his clients’ assets into money market accounts and began looking for new investment opportunities for his clients.

C. Background on REML

9. Throughout mid-2019 to early 2020, Chadwick invested a substantial portion of his Vermont clients' assets into a complex, leveraged securities product known as "Credit Suisse X-Links Monthly Pay 2xLeveraged Mortgage REIT Exchange Traded Notes due July 11, 2036" ("REML").

10. REML was a senior, unsecured debt security structured as an exchange traded note ("ETN"), that provided a monthly compounded interest of two-times leveraged long exposure to the price return of the FTSE NAREIT All Mortgage Capped Index ("FNMRC").

11. The FNMRC was comprised of Mortgage Real Estate Investment Trusts ("REITS"). Unlike a traditional REIT, which uses its capital to purchase multiple pieces of real estate, a Mortgage REIT uses its capital to issue mortgage loans to owners of real estate. The FNMRC index measured the performance of tax-qualified U.S. Mortgage REITs with more than 50% of their total assets invested in mortgage loans or mortgage-backed securities.

12. As a leveraged product, REML was only suitable for aggressive investors who were willing to potentially lose their entire investment. As noted in the REML pricing supplement, which accompanied the prospectus and prospectus supplement: "Because the ETNs will be two times leveraged with respect to the Index, the ETNs may benefit from two times any positive, but will be exposed to two times any negative, monthly compounded performance of the Index. . . . **You should not purchase ETNs unless you are willing to risk the loss of up to 100% of your investment.**" (Emphasis added).

13. The REML pricing supplement explained in detail several of the "Risk Factors" associated with this product:

You may lose some or all of your investment. The ETNs are fully exposed on a leveraged basis to any decline in the level of the Index. At maturity or upon

early redemption or our call, you will lose some or all of your investment if the Index Closing Level is less than the Index Closing Level at the time you purchased your ETNs.

ETNs are not suitable for all investors. In particular, the ETNs should be purchased only by investors who understand leveraged risk and the consequences of seeking monthly compounded leveraged investment results, who intend to actively monitor and manage their investments.

The ETNs may not be suitable to you if :

You are not willing to accept the risk that you may lose some or all of your investment. . . .

You do not have sufficient financial resources and liquidity to bear the risk of an investment in the ETNs, including the risk of loss of your entire investment.

14. The REML “fact sheet” also warned that REML was not appropriate for “buy-and-hold” investors and encouraged investors to “regularly monitor” their holdings “to ensure that they remain consistent with their investment strategies.”

15. In addition to paying leveraged returns, REML was designed to pay a monthly dividend equal to twice the dividend rate of the mortgage REITs listed on the FNMRC index, minus fees and interest.

16. The REML pricing supplement warned, however, that “[t]he amount of any monthly Coupon Amount is uncertain and could be zero. **Therefore, you should not purchase the ETNs if you require fixed or periodic income payments.**” (Emphasis added).

17. In late 2019 and early 2020, REML typically traded for between \$23 to \$28 per share.

18. In March 2020, the price of REML fell precipitously: on March 2, 2020, REML had a closing price of \$24.40; on March 9, the closing price was \$18.75; and on March 16, the closing price fell to \$8.71. On March 18, 2020, REML reached its lowest value of just \$0.52 and had a closing price of \$1.65. On March 30, 2020, REML closed at \$2.96.

19. After the March 2020 crash, the price of REML slowly climbed, but never fully recovered. In December 2021, Credit Suisse prematurely called REML at a price of \$5.98 per share. REML ceased trading that same day.

D. Chadwick Lacked an Understanding of REML’s Risks

20. In a September 21, 2021 examination under oath (“EUO”) with the Division, Chadwick gave the following sworn testimony concerning his decision to invest his clients in REML:

- a. After the Chadwick & D’Amato Fund closed, Chadwick’s clients held cash in their accounts. In order to make their capital “productive,” he invested some of his clients’ capital in REML while he tried to put together a more long-term investment strategy for them.
- b. Chadwick used leveraged products to decrease risks for clients. He said that, for example, if a client had \$100,000 to invest, he could invest \$30,000 into a three-times leveraged product, rather than investing the entire portfolio. He said this allowed him to use the remaining capital in the client’s account to generate other kinds of returns.
- c. Chadwick pitched REML to clients as a “holding position” to keep clients’ accounts productive while he devised a new strategy for their funds. He stated that the firm had no cap on the percentage of a client’s assets that could be invested in REML.
- d. When asked why he chose to invest approximately 80% of one client’s assets in REML, Chadwick stated that the client had a “significant demonstrated income need” and that he had invested them in REML to “avoid continued drawdown of principal from their need for cash flow.” When asked whether there were any other income producing assets with less risk that he could have utilized for this client, Chadwick said no.
- e. When Chadwick was asked whether he was aware that the REML prospectus stated that an investor should not hold REML if they did not have sufficient financial resources to bear the risk of losing their entire investment, he answered “yes.” He admitted that, despite this provision, he had put REML in accounts of clients who could not bear the risk.

21. In conversations with clients, Chadwick often described REML as a real estate investment and commonly characterized REML as a low-risk product. For example:

- a. He told clients EA and RA that real estate was a good investment.
- b. Chadwick told client RP that investing in real estate was low risk, due to market trends in 2019.
- c. He told clients JPB and JEB that REML had “some risk” but that it was not “high risk.”
- d. Chadwick told client PW that real estate was a good investment for retirees.
- e. Chadwick also represented to some clients that REML would give them a steady monthly income.

22. In interviews with the Division, several clients stated that Chadwick never told them that they could lose all of their money if they invested in REML. They said that, had they been aware of the risk of total loss, they never would have agreed to invest in REML.

23. Over the course of 2019 and 2020, Chadwick invested most of his Vermont clients in REML. Shortly before REML crashed in March 2020, several clients held heavily concentrated positions, with up to 72% of their total assets invested in REML.

24. After REML nearly went to zero in March 2020, Chadwick told clients that the losses were attributable to concerns about the housing market associated with the COVID-19 pandemic. On March 24, 2020, he sent a written memorandum to clients advising that they either repurchase REML or retain their shares. He wrote “the risk of not owning [REML] has become greater than remaining liquidated.”

E. Client Losses Due to REML Investments

25. Exercising discretionary authority to trade in his clients’ accounts, Chadwick purchased REML in the accounts of 31 Vermont clients. Chadwick initially purchased REML in most of his clients’ accounts in late 2019 or 2020, when REML was trading at around \$25 per share.

26. When the price of REML dropped in March 2020, Chadwick sold off REML positions in some of his clients' accounts, often resulting in realized losses of around \$23 or more per share – or around 90% of their investment in REML. For many of these same clients, Chadwick repurchased REML in April 2020, in hopes of recovering some of their losses.

27. The following Vermont clients incurred losses due to Chadwick's decision to invest their assets in REML:

- a. **Clients EA & RA.** EA is approximately 68 years old and RA is approximately 78 years old. They live in Reading, Vermont. RA retired in 2019. EA works part-time. EA and RA became investment advisory clients of Chadwick in or around 2006. Their goal was to grow and preserve their savings and their risk tolerance was conservative. EA and RA held a REML position in their account(s) for a total of 978 days. Chadwick invested approximately 53% of EA and RA's assets in REML. EA and RA incurred a loss attributable to REML of around \$905,273.
- b. **Clients KA and CA.** KA and CA live in Reading, Vermont. KA is approximately 42 years old and CA is approximately 51 years old. They became investment advisory clients of Chadwick in or around 2013. KA and CA held a REML position in their account(s) for approximately 680 days. Chadwick invested approximately 64% of their assets in REML. KA and CA incurred a loss attributable to REML of around \$38,521.
- c. **Clients JB and WB.** JB is approximately 79 years old and WB is approximately 76 years old. They live in Bethel, Vermont. WB retired in 2009 and JB retired in 2020. They became investment advisory clients of Chadwick in or around 2012. Their risk tolerance over the past five years was conservative to moderate. After retirement, they began withdrawing money from their investment accounts for monthly income. JB and WB held a REML position in their account(s) for a total of 678 days. Chadwick invested approximately 46% of their assets in REML. JB and WB incurred a loss attributable to REML of around \$91,877.
- d. **Clients JPB and JEB.** JPB and JEB are approximately 63 years old. They live in Thetford Center, Vermont. They are both employed. They became investment advisory clients of Chadwick in or around 2004. Their goal was to save for retirement and their risk tolerance was moderate. JPB and JEB held a REML position in their account(s) for a total of 669 days. Chadwick invested approximately 49% of their assets in REML. JPB and JEB incurred a loss attributable to REML of around \$86,137.

- e. **Clients DC and JC.** DC is approximately 53 years old and JC is approximately 51 years old. They live in Barnard, Vermont. Both are currently employed. They became investment advisory clients of Chadwick in or around 2016. Their goal was to save for retirement and their risk tolerance was moderate. DC and JC held a REML position in their account(s) for a total of 678 days. Chadwick invested approximately 47% of their assets in REML. DC and JC incurred a loss attributable to REML of around \$83,287.
- f. **Client MC.** MC is approximately 71 years old. She resides in Fairlee, Vermont. MC is retired. MC became an investment advisory client of Chadwick at least 20 years ago. MC's goal was to preserve her savings and she had a low risk tolerance. MC held a REML position in her account(s) for a total of 675 days. Chadwick invested approximately 45% of MC's assets in REML. MC incurred a loss attributable to REML of around \$106,007.
- g. **Clients MC and NC.** MC is approximately 74 years old and NC is approximately 73 years old. They reside in Sharon, Vermont. They held a REML position in their account(s) for a total of 1408 days. Chadwick invested approximately 72% of MC and NC's assets in REML. MC and NC incurred a loss attributable to REML of around \$69,896.
- h. **Client BD.** BD was a resident of White River Junction, Vermont. BD passed away in 2020 at the age of 80. BD held a REML position in her account(s) for a total of 773 days. Chadwick invested approximately 14% of BD's assets in REML. BD incurred a loss attributable to REML of around \$11,311.
- i. **Client BG.** BG is approximately 46 years old and resides in Norwich, Vermont. He is employed. He became an investment advisory client of Chadwick in or around 2016 or 2017. His risk tolerance was low to medium. BG's investment goals were to save for a child's college tuition and for retirement. BG held a REML position in his account(s) for a total of 673 days. Chadwick invested approximately 32% of BG's assets in REML. BG incurred a loss attributable to REML of around \$53,828.
- j. **Client SG.** SG is approximately 79 years old and resides in Thetford Center, Vermont. She is retired. She first became an investment advisory client of Chadwick in or around 2005. SG's goal was to save money for retirement and she had a moderate risk tolerance, which grew more conservative over time. SG held a REML position in her account(s) for a total of 951 days. Chadwick invested approximately 52% of SG's assets in REML. SG incurred a loss attributable to REML of around \$166,073.
- k. **Client AM & JT.** AM is approximately 81 years old and JT is approximately 82 years old. They reside in Woodstock, Vermont. Both AM and JT are retired. They

first became investment advisory clients of Chadwick in or around 2003. AM and JT held a low to moderate risk tolerance. Their investment goals were moderate growth and preservation of savings. AM and JT held a REML position in their account(s) for a total of 673 days. Chadwick invested approximately 53% of AM and JT's assets in REML. AM and JT incurred a loss attributable to REML of around \$283,201.

- l. **Client RP.** RP is approximately 45 years old and resides in Jericho, Vermont. He is employed. RP became an investment advisory client of Chadwick in or around 2011. RP's risk tolerance was moderate. His goal was to save for retirement. RP held a REML position in his account(s) for a total of 416 days. Chadwick invested approximately 31% of RP's assets in REML. RP incurred a loss attributable to REML of around \$17,847.
- m. **Clients CR and TR.** CR and TR are both approximately 69 years old and reside in Hartland, Vermont. They became advisory clients of Chadwick in or around 2012. CR is retired and TR is employed. Their investment goals were to save for retirement and ensure that they could financially provide for their disabled child. Their risk tolerance was conservative. CR and TR held a REML position in their accounts for a total of 914 days. Chadwick invested approximately 68% of CR's assets in REML. CR incurred a loss attributable to REML of around \$279,162. Additionally, Chadwick invested approximately 46% of the assets in CR and TR's shared trust account into REML. In their trust account, CR and TR incurred a loss attributable to REML of around \$44,427.30.
- n. **Clients JS and MLS.** JS is approximately 67 years old and MLS is approximately 63 years old. They reside in Middlebury, VT. JS retired in 2011 and MLS retired in 2014. They became investment advisory clients of Chadwick in or around 2010. Their goals were to save for retirement and wealth preservation and their risk tolerance was moderate. JS and MLS held a REML position in their account(s) for a total of 607 days. Chadwick invested approximately 31% of their assets in REML. JS and MLS incurred a loss attributable to REML of around \$415,266.
- o. **Client ZS.** ZS is approximately 82 years old and resides in Woodstock, Vermont. She became an investment advisory client of Chadwick in the early 1990s, soon after she retired. ZS's investment goals were to preserve her savings and have money to cover her living expenses throughout her retirement. She described her investment style as conservative. ZS held a REML position in her account(s) for a total of 66 days. Chadwick invested approximately 53% of ZS's assets in REML. ZS incurred a loss attributable to REML of around \$241,605.
- p. **Client PW.** PW is approximately 68 years old and resides in Randolph, Vermont. She retired in 2020. PW became an investment advisory client of Chadwick in or

around 1998. Her goal was to save for retirement and her risk tolerance was moderate. PW held a REML position in her account(s) for a total of 673 days. Chadwick invested approximately 44% of PW's assets in REML. PW incurred a loss attributable to REML of around \$191,666.

- q. **Client RW.** RW is approximately 84 years old. Her home address is in Strafford, Vermont, where her partner, KS, who has power of attorney over RW's accounts, still resides. RW is retired and currently lives in a long-term care facility in Lebanon, NH. She became an investment advisory client of Chadwick in the early 2000s. RW's risk tolerance was conservative. In 2020, the cost of RW's assisted living facility were financed through distributions from the investment accounts that Chadwick managed. RW held a REML position in her account(s) for a total of 630 days. Chadwick invested approximately 43% of RW's assets in REML. RW incurred a loss attributable to REML of around \$347,428.

28. In December 2021, Credit Suisse called REML and all of Chadwick's clients' remaining positions were closed. Chadwick's Vermont clients amassed a total of around \$3,432,819.48 in losses attributable to the REML investments.

29. On average, for Vermont clients who incurred a loss attributable to REML, Chadwick invested around 46 percent of the assets in each client's portfolio in REML.

F. Chadwick's Engagement in Unregistered Activities

i. In Late 2021, Chadwick's Registration Terminated

30. In late 2021, Chadwick informed several of his clients that he was ending his business partnership with Anthony D'Amato and starting his own investment advisory firm. He told his clients that he was in the process of registering his new firm with the state.

31. In November 2021, Chadwick formed Chadwick Consulting, a new investment advisory firm with a principal place of business located at 195 Main Street, New London, NH 03257.

32. 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.

33. On December 31, 2021, Chadwick & D'Amato's Vermont and New Hampshire registrations were terminated.

34. At no point after December 31, 2021, was Chadwick registered as an investment adviser representative in Vermont. At no point in time was Chadwick Consulting registered as an investment adviser in Vermont.

ii. Chadwick Gave Clients Investment Advice in 2022

35. As part of the Department's investigation into the suitability of Chadwick's REML trades, the Department learned that after Chadwick's Vermont registration ended on December 31, 2021, he met with some of his Vermont clients, discussed their accounts, and sent numerous emails to Vermont clients that contained investment advice.

36. Chadwick informed several 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 was registered in New Hampshire and Vermont.

37. 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." Chadwick informed clients that their accounts would "enter the New Year in fully updated status" and wrote that "no action"

was required in the “short term.” In an email to MC, he wrote “[w]e can always log into your Fidelity accounts together . . . should anything need to be done in the short-term.”

38. In early 2022, Chadwick met with JC and DC and gave them advice on investing in cryptocurrencies. He also requested access to their Fidelity accounts. At the time, they were unaware that Chadwick was no longer registered to give them investment advice and they believed that they would be charged eventually for Chadwick’s services.

39. On March 8, 2022, Chadwick emailed RA informing him that his “accounts are holding up well” and requesting to meet to discuss “taxes and review.”

iii. Chadwick Executed Trades on Behalf of His Clients in 2022

40. While registered as an investment adviser in Vermont, Chadwick conducted his fee-based advisory business through Fidelity.

41. As of December 31, 2021, Fidelity terminated its relationship with Chadwick and Chadwick & D’Amato and removed them from Fidelity’s custodian platform. At that point, Chadwick and Chadwick Consulting 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.

42. 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.

43. On April 15, 2022, Fidelity informed the Department that a device that Fidelity believes belongs to Chadwick and Chadwick Consulting had accessed twenty-seven (27) of the

Fidelity Accounts since January 1, 2022 and was using the client log-in credentials to access each account. Specifically, Fidelity determined that the IP address associated with those log-ins 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 accounts. As a result, Fidelity indicated to the Department that it had locked those accounts, forced password and log-in resets, and reassigned accounts numbers for the 27 Fidelity Accounts.

44. 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 & 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 identified five trades that were likely executed by Chadwick:¹

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

¹ Similarly, through lining up the time of access to Fidelity Accounts by an IP address associated with Chadwick & D’Amato with the time of trades, the Department identified 12 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.

² ETHE is the symbol for Grayscale Ethereum Trust.

³ GBTC is the symbol for Grayscale Bitcoin Trust.

45. JC and DC confirmed that in 2022 they gave Chadwick their log-in credentials so he could access their Fidelity accounts, although they were unsure whether he was able to successfully log in.

46. EA and RA confirmed that in 2022 they gave Chadwick log-in information for their Fidelity account(s). They also gave Chadwick permission to trade on their behalf, which they assume he did from his office or home.

DESCRIPTIONS OF VIOLATIONS

47. The Commissioner of Financial Regulation (the “Commissioner”) 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, 5601-5614.

48. 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 or to take other action necessary or appropriate 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 the Vermont Uniform Securities Act, spanning 9 V.S.A. § 5101 to § 5617, of the Vermont Securities Regulation, or of an order of the Commissioner.

49. 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 and may require restitution and the disgorgement of any sums obtained in conjunction with such violations plus interest at the legal rate.

50. Pursuant to 9 V.S.A. § 5412(c), the Commissioner may censure, impose a bar on, or impose a civil penalty on a registrant and recover the costs of the investigation from the registrant.

51. Pursuant to 9 V.S.A. § 5614, the Commissioner may require that any person subject to an investigation pay the reasonable costs incurred by the Department in conducting such investigation.

52. 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.”

53. Per V.S.R. § 7-3(c), it is a “dishonest or unethical practice” for an investment adviser to: (1) breach their fiduciary duty to their client; (2) recommend the purchase of a security to a client without reasonable grounds to believe that the recommendation is suitable for the client after reasonable inquiry concerning the client’s objectives, financial situation, financial needs, risk tolerance, and any other information known by the investment adviser or investment adviser representative; and (3) conduct business concerning securities in Vermont without a valid investment adviser registration, a broker-dealer registration, or a registration in any other capacity with the Department which would allow them to lawfully conduct business concerning securities.

54. In order to satisfy their fiduciary duty, an adviser must provide advice that is in the client’s best interest, which requires the adviser to have a reasonable basis for the recommendation to purchase a security. To form a reasonable basis for a recommendation, an adviser must conduct due diligence on an investment and develop an understanding of the investment’s risks and rewards.

55. Chadwick and Chadwick and D'Amato breached their fiduciary duty to their clients by failing to conduct proper due diligence of REML and by failing to understand REML's risks and rewards.

56. Chadwick and Chadwick & D'Amato violated customer-specific suitability when they invested their clients in REML without adequately considering each of client's risk tolerance, age, employment status, financial situation, financial needs, and investment goals.

57. Because Chadwick and Chadwick & D'Amato had no reasonable basis for recommending REML to clients, every purchase of REML violated their fiduciary duty to clients, in violation of 9 V.S.A. § 5412(d)(13).

58. By failing to properly consider and evaluate each client's risk tolerance, age, employment status, financial situation, financial needs, and investment goals before investing their assets in REML, Chadwick and Chadwick & D'Amato violated 9 V.S.A. § 5412(d)(13).

59. By using Vermont clients' credentials to access the Fidelity Accounts after December 31, 2021, Chadwick and Chadwick Consulting engaged in a dishonest or unethical practice in violation of 9 V.S.A. § 5412(d)(13).

60. 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 adviser registration, or an investment adviser representative registration, with the Securities Division unless they fall within statutory exemptions.

61. 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.

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

63. By providing investment advice to Vermont residents after December 31, 2021, for compensation and without the required registration with the Securities Division, Chadwick and Chadwick Consulting violated 9 V.S.A. §§ 5403 and 5404.

64. By buying and selling securities in the Fidelity Accounts on behalf of Vermont residents after December 31, 2021, without the required registration with the Securities Division, Chadwick and Chadwick Consulting violated 9 V.S.A. §§ 5401 and 5402.

CONSENT ORDER

65. Respondents acknowledge and admit the jurisdiction of the Commissioner over the subject matter of this Stipulation and Consent Order.

66. With respect to the facts and violations identified herein, Respondents waive their right to a hearing before the Commissioner or the Commissioner's designee and waive their rights 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.

67. This Stipulation and Consent order is entered into by Respondents in order to settle a disputed claim. Respondents neither admit nor deny the facts and violations of law set forth herein.

68. 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.

69. Respondents shall pay restitution in the amount of \$1,652,708.61 to Vermont investors who incurred losses as a result of their investments in REML, in the amounts to each Vermont investor as indicated on Sealed Exhibit A to this Stipulation and Consent Order (the “Affected Investors”).

70. Respondents shall provide the restitution referenced in Paragraph 64 to the Affected Investors within 60 calendar days of the date of entry of this Stipulation and Consent Order.

71. Within 7 days of each payment to the Affected Investors, Respondents shall provide the Department with a written certification identifying the date and amount of each payment to the Affected Investors.

72. Respondent Chadwick is permanently barred from any securities licensure in Vermont.

73. Respondents understand all terms and conditions in this Stipulation and Consent Order, consent to the entry of this Stipulation and Consent Order, and acknowledge that their consent is given freely and voluntarily and that, except as set forth herein, no promise was made to induce Respondents’ consent.

74. 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.

75. Nothing herein shall be construed as limiting the Commissioner's ability to investigate Respondents for violations not resolved herein or to respond to and address any consumer complaints made with regard to Respondents.

76. Nothing herein shall be construed as having relieved, modified, or in any manner affected Respondents' ongoing obligation to comply with all federal, state, or local statutes, rules, and regulations applicable to Respondents.

77. Nothing herein shall be construed as limiting any private right of action a person may have.

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

EXHIBIT A

FILED UNDER SEAL