

**STATE OF VERMONT
DEPARTMENT OF FINANCIAL REGULATION**

IN THE MATTER OF:

| | |
|------------------------------------|---------------------|
| PETER STOCK) | |
| STOCK INVESTMENT MANAGEMENT INC.) | |
|) | |
|) | Docket No. 18-049-S |
| Respondents) | |
| _____) | |

STIPULATION AND CONSENT ORDER

This Stipulation and Consent Order is entered this 27th day of November 2018 by and among Peter Stock ("Stock"), Stock Investment Management Inc. ("SIMI") (together, "Respondents") and the Vermont Department of Financial Regulation (the "Department").

WHEREAS, the Commissioner of the Department ("Commissioner"), through the Securities Division of the Department is responsible for enforcing the Vermont Uniform Securities Act ("VUSA"), Title 9, Chapter 150 of the Vermont Statutes Annotated, pursuant to which the Department has conducted an investigation of Respondents' activities as they relate to updating Form ADV and complying with Vermont's cybersecurity requirements; and

As a result of the Department's investigation, the Department concluded that Respondents violated the VUSA and applicable provisions of the Vermont Securities Regulations ("V.S.R.") and

The Department has sought certain penalties and remedial acts; and

Respondents have agreed to make certain payments to the Department and take certain other actions; and

Respondents elect to permanently waive any right to a hearing and appeal under VUSA, 3 V.S.A. Chapter 25, the Vermont Administrative Procedure Act; and the rules, regulations and orders of the Commissioner with respect to this Administrative Consent Order (the "Order").

NOW, THEREFORE, the Commissioner, as administrator of the VUSA, hereby enters this Order.

- **JURISDICTION AND AUTHORITY**

- Respondents are subject to the jurisdiction of the Commissioner in this matter pursuant to the VUSA and consent to the entry of this Order.
- **PARTIES**

- Stock is an investment adviser representative registered in Vermont (CRD # 1071329).
- SIMI is a registered investment adviser (CRD # 121590) with its principal place of business at 3556 Main Street, Manchester, Vermont 05254.
- The Commissioner is charged, inter alia, with administering and enforcing the securities

laws of the State of Vermont as set forth in the VUSA and in the V.S.R.

• **FINDINGS OF FACT**

- Stock is the President and sole employee of SIMI and operates SIMI from a private residence in Manchester, Vermont.
- At all times relevant to this matter, Stock was registered in Vermont as an investment adviser representative and SIMI was registered in Vermont as an investment adviser.
- On at least five occasions, SIMI failed to timely file its required Annual Updating Amendments to Form ADV. In 2014, 2015 and 2018, SIMI failed entirely to file the Amendments; in 2016 and 2017, SIMI filed the Amendments late and only after being reminded to do so by the Department.
- The Department sent SIMI reminders of its obligation to file Annual Updating Amendments through multiple emails and letters.
- For at least two years, SIMI failed to comply with Vermont's cybersecurity requirements by failing to establish and maintain written procedures to ensure cybersecurity. In its 2017 and 2018 written responses to the Division's annual Investment Adviser Questionnaire, SIMI indicated it did not maintain any written procedures regarding cybersecurity.
- On October 25, 2017, through Securities Deputy Commissioner Carrigan, the Department advised SIMI that it was not in compliance with V.S.R. 8-4 and asked it to provide the Department with documentation of compliance with V.S.R. 8-4.
- Despite the Department's notification, SIMI failed to remedy its noncompliance.

• **CONCLUSIONS OF LAW**

- Peter Stock is an investment adviser representative within the meaning of 9 V.S.A. section 5102(16).
- It is a violation of V.S.R. 7-1(b)(2)(B) to fail to file an Annual Updating Amendment to Form ADV within 90 days after the end of the investment adviser's fiscal year.
- It is a violation of V.S.R. 8-4 to fail to establish and maintain written procedures designed to ensure cybersecurity.
- It is a violation of 9 V.S.A. 5412(d)(2) to willfully violate the VUSA, the V.S.R. or any lawful Order of the Commissioner.
- Pursuant to 9 V.S.A. Sections 5412, 5603, and 5604, the above violations constitute a basis for the assessment of administrative penalties.
- The Commissioner finds the following relief appropriate and in the public interest.

ORDER

On the basis of the Findings of Fact and Conclusions of Law, and Respondents' consents to the entry of this Order,

IT IS HEREBY ORDERED:

- This precludes any other action the Commissioner could commence under applicable Vermont law as it relates to the subject matter of this Order.
- Respondents shall cease and desist from violating the VUSA and the V.S.R. and will comply with all applicable provisions therein.
- Within thirty (30) days following the entry of this Order, Respondents shall pay to the Department an administrative penalty in the sum of \$15,000.
- Within thirty (30) days following the entry of this Order, Respondents shall provide to the Department evidence that it is in full compliance with V.S.R. 8-4.

- Nothing herein shall be construed as limiting the Commissioner's authority to conduct an investigation of Respondents for matters not resolved by this Order or reasons unrelated to the subject matter of this Order.
- Respondents acknowledge that the Commissioner shall not be precluded in any manner from seeking to subject them to further sanctions or enforcement proceedings for any alleged violation of this Order.
- Respondents consent to the entry of this Order and acknowledge their consent is given freely and voluntarily and that except as otherwise set forth herein, no promise was made to induce them to consent.
- Respondents voluntarily waive their right to a hearing on this matter and to judicial review of this Consent Order under VUSA; 3 V.S.A. Chapter 25, the Vermont Administrative Procedures Act, and the rules, regulations and orders of the Commissioner.
- Respondents further acknowledge that the Commissioner retains jurisdiction over this matter for purposes of enforcing this Order.
- This Order shall be governed by and construed under the laws of the State of Vermont.
- This Order shall be binding upon Respondents and upon all their successors and assigns with respect to all conduct subject to the provisions above and all future obligations, responsibilities, commitments, restrictions and conditions.

Entered at Montpelier, Vermont this 27th day of November 2018.

BY ORDER OF THE COMMISSIONER

Michael S. Pieciak, Commissioner
Vermont Department of Financial Regulation

AGREED AND ACCEPTED:

PETER STOCK

Signature

Nov 27 / 18

Date

STOCK INVESTMENT MANAGEMENT INC.

Signature

Nov 27 / 18

Date

By:

Peter Stock President

Printed name and title