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COMMONWEALTH OF PENNSYLVANIA
BANKING AND SECURITIES COMMISSION

PA DEPARTMENT OF
BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA	:	
DEPARTMENT OF BANKING AND	:	
SECURITIES, BUREAU OF SECURITIES	:	
LICENSING	:	
	:	
	:	
v.	:	Docket No. : 21 008 (SEC-OSC)
	:	
PHILADELPHIA INVESTMENT	:	
PARTNERS, LLC, AND	:	
PETER C. ZEULI	:	
	:	

NOTICE OF RIGHT TO APPEAL

You are hereby notified that you have the right to appeal the attached Final Order issued by the Commonwealth of Pennsylvania, Banking and Securities Commission.

If you wish to appeal this Final Order you may file a petition for review with the Prothonotary of the Commonwealth Court of Pennsylvania that complies with the format and timing requirements of the applicable Pennsylvania Rules of Appellate Procedure. Pa. R.A.P. 1511-1561. Failure to file a petition for review within 30 days of the mailing date of this Final Order will result in it becoming final and unappealable. You may reach the Commonwealth Court at 717-255-1650.

Please be advised that this Notice of Right to Appeal is not intended to and does not constitute legal advice. You may consult an attorney regarding your legal rights including your right to appeal the Final Order or your right to file an application for rehearing or reconsideration under the General Rules of Administrative Practice and Procedure. 1 Pa. Code § 35.241.

FILED

COMMONWEALTH OF PENNSYLVANIA
BANKING AND SECURITIES COMMISSION

2022 AUG 15 AM 9:05
PA DEPARTMENT OF
BANKING AND SECURITIES

Commonwealth of Pennsylvania	:	
Department of Banking and	:	
Securities, Bureau of Securities	:	
Licensing	:	
	:	
v.	:	Docket No. : 21 008 (SEC-OSC)
	:	
Philadelphia Investment	:	
Partners, LLC, and	:	
Peter C. Zeuli	:	
	:	

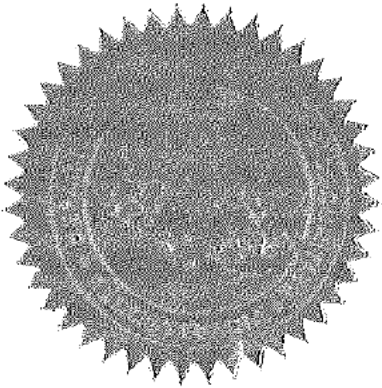
FINAL ORDER

AND NOW, the Pennsylvania Banking and Securities Commission ("Commission") issues this Final Order in the matter of *Commonwealth of Pennsylvania, Department of Banking and Securities, Bureau of Securities Licensing v. Philadelphia Investment Partners, LLC and Peter C. Zeuli*, 21008 (SEC-OSC).

The Commission reviewed the attached proposed report and proposed order, which were served upon the parties by letter dated April 26, 2022, pursuant to 1 Pa. Code § 35.207. No party filed exceptions. The Commission placed the matter on the agenda for its regular meeting of August 11, 2022.

Pursuant to the final adjudication authority granted to the Commission under section 1122-A of the Department of Banking and Securities Code, 71 P.S. § 733-1122-A, the Commission issues this Final Order adopting the hearing officer's proposed report.

This Final Order shall be effective 30 days after the Commission mails it.



BY ORDER OF THE COMMISSION:

Redacted

Richard Vague
Vice Chair
Pennsylvania Banking and Securities Commission

So ORDERED this 10th day of August, 2022

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

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PA DEPARTMENT OF
BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA :
DEPARTMENT OF BANKING AND :
SECURITIES, BUREAU OF SECURITIES :
LICENSING :

v. :

Docket No.: 21 0008 (SEC-OSC)

PHILADELPHIA INVESTMENT :
PARTNERS, LLC :

PETER C. ZEULI :

PROPOSED REPORT

Michael T. Foerster
Hearing Officer

GOVERNOR'S OFFICE OF GENERAL COUNSEL
DEPARTMENT OF STATE
OFFICE OF HEARING EXAMINERS
P.O. BOX 2649
HARRISBURG, PENNSYLVANIA 17105-2649

HISTORY

This matter presents secondary to an *Order to Show Cause* ("OSC") filed by the Department's Bureau of Securities Licensing ("Bureau" or "Petitioner") on February 22, 2021. The OSC stated 6 counts under the Pennsylvania Securities Act;¹ four counts for violation of §301(f) (notice filing); and, two counts for violation of §301(c) (registration). On March 23, 2021, Respondents Philadelphia Investment Partners, LLC, and Peter C. Zeuli (collectively "Respondents" or "Respondent PIP" and/or "Respondent Zeuli") filed an *Answer and Affirmative Defenses*. On April 1, 2021, the Bureau filed a Reply to the affirmative defenses which contested all asserted defenses. With that the pleading phase of this matter ended.

By letter dated April 13, 2021, Secretary Vague appointed the undersigned as presiding officer to handle the matter from that point to hearing and through the publication of a proposed report. By order dated June 17, 2021, the undersigned scheduled a prehearing conference. The parties filed prehearing statements on August 20, 2021. The prehearing conference occurred as scheduled and the undersigned set the matter for hearing to occur on October 27, 2021.

The hearing occurred as scheduled. John Chiapetta, Esquire, represented the Bureau. The Bureau called one witness and entered Exhibits A through P (each containing individual pages as noted in the transcript pages 5 - 7). Paula D. Shaffner, Esquire, represented both Respondents, called one witness, and entered one exhibit. The undersigned received the transcript on December 8, 2021, and issued a briefing schedule, by order, on December 10, 2021. The parties submitted briefs as scheduled; except, the Bureau exercised its prerogative and did not file a reply brief. With

¹ Act of 1972, 70 P.S. § 1-101 *et seq.* ("1972 Act").

the passing of the reply brief deadline on March 7, 2022, the record closed and the matter became ripe for adjudication.

FINDINGS OF FACT

1. Respondent PIP, CRD # 122733, is a New Jersey limited liability company with a principal place of business at 1233 Haddonfield-Berlin Road, Unit 7, Voorhees, NJ 08043. (OSC and Answer, ¶4).

2. Respondent Peter C. Zeuli, CRD # 2270832, is and was, at all material times, owner of Respondent PIP and an individual with a principal place of business at 1233 Haddonfield-Berlin Road, Unit 7, Voorhees, NJ 08043. (OSC and Answer, ¶5).

3. Respondent Zeuli formed PIP in 2000. (NT 105; L5-6).

4. From in or about June 2006 through June 2019, PIP was registered with the U.S. Securities and Exchange Commission as an investment advisor. (CE Q-001; OSC and Answer, ¶6)(Official notice- Department records²).

5. From in or about June 2006 through June 2019, PIP was a federally covered advisor. (CE Q-001; OSC and Answer, ¶7)

6. From June, 2006, through June, 2019, Respondent PIP was registered with the U.S. Securities and Exchange Commission as an investment advisor and was a federally covered advisor. (Order and Answer ¶6, ¶7).

² Official notice is taken of the Department's records pertaining to Respondents in accordance with the rule that a licensing authority may take official notice of its own records, General Rules of Administrative Practice and Procedure, 1 Pa. Code § 31.1 *et seq.*, at § 35.173; *see also Falasco v. Commonwealth of Pennsylvania Board of Probation and Parole*, 521 A.2d 991 (Pa. Cmwlth. 1987) (The doctrine of official notice allows an agency to take official notice of facts which are obvious and notorious to an expert in the agency's field and those facts contained in reports and records in the agency's files); *Gleeson v. State Bd. of Medicine*, 900 A.2d 430, 440 (Pa. Cmwlth. 2006), *appeal denied*, 917 A.2d 316 (Pa. 2007) (licensing board may take official notice of its own records). All subsequent such references will be cited as "Department records."

7. Respondents relied upon the advice of legal counsel and various compliance consultants to ensure compliance with all registration and other regulatory requirements. (NT 105, L11-13; 107, L15-20-25).

8. Most recently, Respondents worked with David Kuhr of Green Bar Consulting. (NT 107, L18-25- NT 108, L1-7).

9. From in or about September 2015, Respondent PIP obtained a client who is a resident of Pennsylvania, which increased PIP's total number of clients who are Pennsylvania residents to six. (NT 57, L7-16; OSC and Answer, ¶8).

10. From in or about September, 2015, through June, 2019, Respondent PIP admits that it did not Notice File as an investment advisor in Pennsylvania, pursuant to Section 303(a)(iii) of the 1972 Act, 70 P.S. § 1-303(a)(iii). (OSC and Answer, ¶9; CE Q-001; NT 114, L 6-9; NT 116, L21-24; NT 119, L3-19; NT 120, L8-17).

11. From in or about September, 2015, through June, 2019, Respondent PIP collected \$262,834 in compensation from Pennsylvania clients. (NT 58, L18- NT 59, L5; CE P-001).

12. From in or about June, 2019, to at least September, 2020, Respondent PIP transacted business in Pennsylvania as an investment advisor while neither registered nor exempt from registration. (NT 59, L6-14; CE Q-001; OSC and Answer, ¶10, 11).

13. From in or about June, 2019, to September, 2020, Respondent PIP collected \$173,066 in compensation from Pennsylvania clients. (NT 59, L6-19; NT 129, L15-24).

14. From in or about September 2015 to September 2020, Respondent PIP collected \$435,900 in compensation Pennsylvania clients. (NT 59, L20-25; CE P-001; OSC and Answer, P11).

15. After withdrawing its registration with the SEC in June 2019, Respondent PIP immediately registered with New Jersey. (NT 107; L11-12).

16. Maybe a couple weeks before their August 31, 2020, Pennsylvania application for registration, Respondents became aware that they needed to register with the Commonwealth. (NT 109).

17. Within weeks of becoming aware of this obligation, Respondents applied to register. (NT 110; L4-9).

18. On August 31, 2020, Respondents submitted an Initial Investment Advisor Application (the "Application") with the Pennsylvania Department of Banking and Securities. (Ex. A001; NT 67, L 3-5; 68, L15-17; 69, L2-3; 72, L11-16).

19. At no time prior to Respondents' Application did the Commonwealth, or any subdivision thereof, notify Respondents of any registration or filing deficiencies; rather, Respondents' decision to submit the Application was based solely on their "intent [] to make sure that [they] were fully registered...with all [required regulators]." (NT 110, L12-14).

20. One day after submittal of the application, by email dated September 1, 2020, the Department requested information necessary information not submitted with the initial application. (Ex. A001; NT 71, L22-25).

21. Between September 1, 2020, and December 31, 2020, Respondents supplied further information to the Department and cooperative, by conscientiously responding, often within days, or even hours, after each request was made. (NT 74-79; 82-87; 110, L23-25).

22. Respondents' intention at all times between June, 2015, and September, 2020, was to ensure their compliance with all regulatory obligations of the Commonwealth, and all other regulators. (NT 109, L3-8; 110, L10-14).

23. Respondents were not aware at any point between June, 2015, and September, 2020, that they were not in compliance with all requirements of Sections 301(c) and 301(f). (NT 109, L3-19 – 110, L4-17; NT 136, L6-26 – NT 37, L1).

24. Specifically, Mr. Zeuli testified:

Q. Well, prior to your withdrawal of your [SEC] registration, what were your thoughts about whether or not you were compliant with your registration responsibilities?

A. My intent was always being compliant with the state regulatory agencies.

Q. When did you learn that you needed to be registered in Pennsylvania in addition to New Jersey?

A. Shortly before we registered with the State of Pennsylvania.

Q. So we saw a document that was dated September 28th by Mr. Kuhn to register in Pennsylvania. Can you give us some sense of how in comparison to that it was—

A. Maybe a couple weeks.

...

Q. So can you give us some idea of when the application was made to register in Pennsylvania compared to when you first learned that you needed to be registered?

A. Our application took place roughly a couple weeks after we learned that we needed to register.

Q. And why did you register or submit the application to register in Pennsylvania?

A. Because our intent was to make sure that we were fully registered and with all the Bureau's and Securities Commissions.

Q. Did you at any point resist Pennsylvania registration?

A. No.

...

Q. Mr. Zeuli, were you trying to avoid Pennsylvania registration?

A. No.

Q. Why not?

A. It does not benefit me whatsoever.

Q. Is there a benefit to the firm, Philadelphia Investment Partners in not being properly registered?

A. No.

Q. Is there any benefit to you individually?

A. No.

Q. ...Were you intentionally avoiding registration in Pennsylvania?

A. No.

Q. Were you voluntarily avoiding registration in Pennsylvania?

A. No.

Q. Were you acting in a willful manner in avoiding registration in Pennsylvania?

A. No.

(NT 109, L3-19 – 110, L4-17; NT 136, L6-26 – NT 37, L1).

25. Respondents did not intend to eschew registration pursuant to Section 301(c) from June, 2019, through September, 2020. (NT 109, L3-19 – 110, L4-17; NT 136, L6-26 – NT 37, L1).

26. Respondents did not intend to eschew notice filing pursuant to Section 301(f) from June 2015 through June 2019. (NT 109, L3-19 – 110, L4-17; NT 136, L6-26 – NT 37, L1).

27. No prior enforcement actions have been taken against Respondents by any state or federal regulators. (NT 108, L16-19).

28. No customer complaints have been made against Respondents throughout the course of their business. (NT 111, L8-11).

29. Respondent Zeuli was Respondent PIP's compliance officer at the relevant time.
(N.T. 114).

30. Respondent Zeuli had prior experience with both notice filing and registration in Pennsylvania. (N.T. 121, N.T. 125).

31. Respondents received all filed documents and participated fully in the hearing and after. Docket entries; NT *passim*.

CONCLUSIONS OF LAW

1. The Department has jurisdiction in this matter. 1972 Act, Sections 601(a) and 702, 70 P.S. §§ 1-601 (a) and 1-702.

2. As the owner and chief compliance officer of PIP, Respondent Zeuli acted as an "affiliate" of PIP within the meaning of Section 102(b) of the 1972 Act, 70 P.S. § 1-102(b), and, as such, caused PIP to commit the herein stated acts which violated the 1972 Act. (Finding of Fact No. 2).

3. From September, 2015, until June, 2019, Respondents wilfully conducted business as an investment advisor; such business being without the benefit of notice filing in violation of Section 301(f) of the 1972 Act, 70 P.S. § 1-301(f). (Findings of Fact Nos. 2-30).

4. From June, 2019, until September, 2020, Respondents wilfully transacted business as an investment advisor; said business being without the benefit of registration in violation of Section 301(c) of the 1972 Act, 70 P.S. § 1-301(c). (Findings of Fact Nos. 2-30).

5. Respondents received notice of this proceeding and were afforded an opportunity to be heard in accordance with Section 504 of the Administrative Agency Law, 2 Pa .C.S. § 504. (Finding of Fact No. 31).

DISCUSSION

The issues presenting are whether Respondents violated the Act in their failure to Register and, if so, the sanction to be levied. As is typical, the main issues come with a coterie of minor issues, all of which will be discussed.³

Burden of Proof

As the moving party, the Bureau bore the burden of establishing, to the satisfaction of the Secretary, that Respondents had a duty to register and failed to do so. *See generally Barran v. State Board of Medicine*, 670 A. 2d 765 (Pa. Cmwlth. 1996). Petitioner Bureau must satisfy this burden by a preponderance of the evidence. *Lansberry v. Pennsylvania Public Utility Commission*, 578 A. 2d 600 (Pa. Cmwlth. 1990), *appeal denied*, 529 Pa. 654, 602 A. 2d 863 (1992). A preponderance of the evidence is "such proof as leads the fact-finder. . . to find that the existence of a contested fact is more probable than its nonexistence." *Sigafoos v. Pennsylvania Bd. of Probation and Parole*, 503 A. 2d 1076, 1079 (Pa. Cmwlth. 1986). It has also been described as a 'more likely than not standard' or evidence which is sufficient to tip the mythical scales. *Agostino v. Township of Collier*, 968 A. 2d 258 (Pa. Cmwlth. 2009).

Presentation

Respondent Zeuli presented as a humble man. Being a successful person in a highly competitive industry would seem to require some nerve; however, that was absent from his presentation. The gentleman presented well. Of course, that is not the end of the inquiry.

³ In this case, there were ingredient issues that influenced if not yielded the ultimate issue.

Registration and Notice Filing

Review of the record readily reveals that Respondents were under an obligation to notice file from 2015 to 2019.⁴ *See* Findings of Fact Nos. 5, 6, 9, 10, and 11; 70 P.S. §1-303(a)(iii) (“A federally covered adviser shall file with the department, prior to acting as a federally covered adviser in this State, a copy of such documents as have been filed with the Securities and Exchange Commission which the department by regulation may require....”). Respondents failed to notice file from September, 2015, through June, 2019; a period of about 45 months. In that period Respondents received \$262,834 in compensation from Pennsylvania clients. Findings of Fact Nos. 10 & 11.

Similarly, Respondents were thereafter under a duty to register from June, 2019, to September, 2020, and they did not.⁵ *See* findings of Fact Nos. 12 -- 16. Specifically, Respondents submitted an incomplete registration on August 31, 2020. In those 14+ months, Respondents received \$173,066 from Pennsylvania clients. *Id.* Indeed, Respondents openly and commendably conceded - at the beginning of this administrative litigation - that they needed to notice file and register. *Ref.* OSC and Answer there too at ¶’s 9, 10, and 11.

⁴ The 1972 Act states a notice filing requirement:

(f) It is unlawful for any federally covered adviser to conduct advisory business in this State unless such person complies with the provisions of section 303(a)(iii).

70 P.S. § 1-301(f).

⁵ Further the 1972 Act states that a registration requirement to wit:

(e) It is unlawful for any person to transact business in this State as an investment adviser unless he is so registered or registered as a broker-dealer under this act or unless he is exempted from registration. It is unlawful for any person to transact business in this State as an investment adviser representative unless he is so registered or exempted from registration.

70 P.S. § 1-301(e).

Unaccepted findings of fact

The parties submitted proposed findings of fact in their well-stated briefs. The findings of fact in this document are largely an amalgam of the parties' proposals. Indeed, review of the parties' proposed findings of fact show that, actually, there is little if any meaningful disagreement about the operative facts. However, the following proposal was rejected:

Respondents' clients, or any other Commonwealth or out-of-state citizens, were not affected by Respondents' lack of registration from June, 2019, through September, 2020, nor from Respondents' failure to notice file in the Commonwealth from June, 2015, through June, 2019. (NT 79, L20—NT 82, L11)

Respondents' proposed finding #24 at page 24 of their brief. This proposed finding presents an opportunity discuss the Act.

Respondents' noncompliance did affect the citizenry. Noncompliance with the law is a harm to society and should be treated that way. *See generally Chipman ex rel. Chipman v. Avon Grove School Dist.*, 841 A.2d 1098 (Pa. Cwnth. Ct. 2003)(violation of statute is per se irreparable harm for purposes of preliminary injunction).⁶ Registration statutes are common, if not ubiquitous, in the modern economy.⁷ This is, oftentimes, in part how the General Assembly chooses to regulate.

A claim that a lack of registration did not harm anyone begs the question: why is there a registration requirement and need that policy choice, by the legislature, be respected? The answers

⁶ Correct, this is not an injunction matter. The Bureau stated its claim after the conduct, not during, nor before. The point remains, violation of a statute causes harm to society *per se*.

⁷ To name a few... the Solicitation of Fund for Charitable Purposes Act, Act 202 of 1990 approved Dec. 19, 1990, 10 P.S. §162.1 *et seq.* (charities, professional fundraisers, and professional fundraising counsel); Telemarketer Registration Act, Act 22 of 2003, 73 P.S. §2241 *et seq.*; Home Improvement Consumer Protection Act, Act 132 of 2008, 73 P.S. § 517.1, *et seq.*; Plant Pest Act, Act of Dec. 16, 1992, P.L. 1228, No. 162, 3 P.S. §258.1 *et seq.* (applicable to merchants, donors, and greenhouses); Real Estate Licensing and Registration Act (RELRA) Act of 1980, P.L. 15, No. 9; 63 P.S. §§455.101 *et seq.*; Health Club Act, Act of Dec. 21, 1989, P.L. 672, No. 87, 73 P.S. §7161 *et seq.*

to these questions are low-hanging fruit. The General Assembly's policy choice must be respected in this forum.⁸

Wilful

While the case issue is notice filing/registration, that actually was only an *amuse-bouche*; the entre (that which really occupied the attorneys) was the concept of wilfulness. *See* both briefs. To generalize, the 1972 Act requires wilful violation. It defines wilful as:

“Wilful and wilfully” mean the following:

(1) ... wilful means that the person acted intentionally in the sense that the person intended to do the act and was aware of what the person was doing. Proof of evil motive or intent to violate the act or knowledge that the person's conduct violated the act is not required.

70 P.S. §1-102(w). Meanwhile, the 1972 Act's section dealing with administrative assessments specifically includes the concept of violation by 'omission.' 70 P.S. § 1-602.1(c)(1)(i) (“... each act or omission that constitutes a violation of the act...”)(emphasis added and discussed more fully below). Thus, Respondents argue that they did not violate the notice filing and registration requirements because they did not *wilfully* choose to do business *sans* notice filing and then *sans* registration.

The problem with Respondents' argument is that it vitiates the notice filing and registration requirements. Those requirements are there to allow the Department to regulate the industry within the Commonwealth. Of course, notice and registration requirements allow for the monitoring of knowledgeable and sophisticated practitioners. More importantly, though, they allow for quick

⁸ Respondent's language is better in the political forum than in the legal forum, where we simply apply the law. Moreover, the conclusion in the proposed finding of fact is so broad as to be obvious argument, if not hyperbole. How could one know that no-one was directly affected? Correct, these Respondents had no burden of proof; but, that does not give license to take such a leap. Again, as mentioned above noncompliance with the law affects society.

and remedial enforcement against unsophisticated, unscrupulous, and/or irresponsible providers. Such people and organizations are exactly the types that would visit havoc (be it mal-intended or callow) on the credulous and unwary, i.e. those who would be harmed most. Thus, registration requirements are very important. Requiring regulators to prove that providers have a knowledge of the notice and registration requirements goes against the obvious intent of the law. It would place an untenable burden of proof on regulators that simply does not comport with the regulatory scheme. Reviewing the language of Subsection (w), and considering that the General Assembly felt the need to insert that language at all, actually shows that legislators did not want regulators to be dealt with such arguments that Respondents make.⁹

Considering the above thoughts, the language "the person acted intentionally in the sense that the person intended to do the act and was aware of what the person was doing" requires proof that the person intended "to conduct advisory business in this State," (§301(f) notice filing) and/or "to transact business in this State as an investment adviser" (§301(c) registration). Proof of knowledge of the 1972 Act and its requirements, then further proof of an intention to violate those requirements, are not required.¹⁰

Respondents lament that the Bureau's position creates a strict liability standard and that the Bureau only cites one Pennsylvania case discussing wilfulness. Further, Respondents argue that that opinion deals with fraudulent sales; not registration. Yes, the afore-quoted definition of wilfulness effectively creates a strict liability standard. Readers are commended to reread the

⁹ The language "... the person intended to do the act and was aware of what the person was doing..." shows that the General Assembly intended this language to apply to acts of commission; not omission such as a lack of registration.

¹⁰ This gives meaning to the entire subsection which states, "... Proof of evil motive or intent to violate the act or knowledge that the person's conduct violated the act is not required." 70 P.S. §1-102(w). "[I]t is axiomatic that in determining legislative intent, all sections of the statute must be read together and in conjunction with each other, and construed with reference to the entire statute." *Allstate Life Ins. Co. v. Com.*, 52 A.3d 1080 (Pa. 2012). This interpretation gives meaning to both sentences in subsection (w).

definition of wilful again, *supra*. As for a lack of case law, that simply cannot be an argument against a statute. No statute would ever be enforceable if caselaw were a requirement. A lack of caselaw shows a well-written statute, if anything;

Sanction

While the academic issue was 'wilfulness' the practical issue, as always, was money. This was not belabored by the attorneys other than their recommendations. There was not strident argument about it; however, a registration case does not get to hearing without a dispute about mulct. The Bureau proposes an assessment of \$108,000.¹¹ Respondent's attorney protests that proposal is "... a penalty not intended by the legislature" and creating an incentive against self-reporting.

The legislature's 1972 Act has this to say about sanctions:

(c) After giving notice and opportunity for a hearing, the department may issue an order accompanied by written findings of fact and conclusions of law which imposes an administrative assessment in the amounts provided in paragraph (1) against a broker-dealer, agent, investment adviser or investment adviser representative registered under section 301 or an affiliate of any broker-dealer or investment adviser where the department determines that the person within the previous ten years willfully has violated this act or a rule or order of the department under this act or has engaged in dishonest or unethical practices in the securities business; has taken unfair advantage of a customer; or has failed reasonably to supervise its agents or employees or against any other person if the department determines that the person willfully violated section 301, 401, 404, 406 through 409 or 512(d) or a cease and desist order issued by the department under section 606(c.1).

(1) The department, in issuing an order under this subsection, may impose the administrative assessments set forth below. Each act or omission ... shall constitute a separate violation.

¹¹ \$2,000 for each of the 4 violations of the §301(f) notice filing requirement and \$50,000 for each of the 2 violations of the §301(c) registration requirement.

(l) In issuing an order against any broker-dealer, agent, investment adviser or investment adviser representative registered under section 301 or an affiliate of any broker-dealer or investment adviser, the department may impose a maximum administrative assessment of up to one hundred thousand dollars (\$100,000) for each act or omission that constitutes a violation of the act or rule or order issued under this act or that constitutes a dishonest or unethical practice in the securities business, taking unfair advantage of a customer, or failure to reasonably supervise its agents or employees. If any of the victims of the person's violative conduct were individuals aged 60 or more, the department also may impose a special administrative assessment in addition to the foregoing amounts of up to fifty thousand dollars (\$50,000).

...

(vi) In issuing an order for a wilful violation of section 301(f) against a person that is a federally covered adviser, the department may impose an administrative assessment of two thousand dollars (\$2,000).

70 P.S. § 1-602.1(c)(1)(i) & (vi)(emphasis added). While it is at one end of the spectrum, the penalties are within what the legislature intended.

Given the language of §301 that states that is unlawful to "conduct" (subsection f) and "transact" (subsection c) business, the most natural reading is that each client represents a single violation. On the other hand, however, the Bureau appears to have proposed a penalty based on calendar years. This was very reasonable.¹²

The Bureau entered further evidence to consider re sanctions. In addition to the number of clients, the Bureau points out that Respondents grossed \$435,000 from Pennsylvania clients in the relevant time period. Finding of Fact No. 14. Respondent Zeuli was the organization's compliance officer and had prior experience with both notice filing and registration. Findings of Fact Nos. 29,

¹² The Bureau entered evidence that Respondents had 6 Pennsylvania clients in 2015, eventually reaching 19 Pennsylvania clients in 2019 and 22 Pennsylvania clients by September, 2020. (CE P-001). Considering the "each act or omission ... shall constitute a separate violation" language it would seem that the Bureau did not need to go the direction of annualized violations.

30. The undersigned specifically found a lack of intention to avoid notice filing and registration (see Findings of Fact Nos. 25, 26); however, the errors in this highly regulated industry are not excused by lack of intent. The years of noncompliance made the lack of compliance seem blithe. So too did the months of document submission to perfect registration. Finding of Fact No. 21. Considering the §602.1(c)(2) factors, this proposal is entirely reasonable and should be adopted.¹³ A lower sanction would lean toward cost-of-doing-business. This is a penalty in a serious matter from a critical part of a law that covers an important industry.

For the aforementioned reasons the following order shall enter:

¹³ The 1972 Act states:

For purposes of determining the amount of administrative assessment to be imposed in an order issued under this subsection, the department shall consider:

- (i) The circumstances, nature, frequency, seriousness, magnitude, persistence and willfulness of the conduct constituting the violation.
- (ii) The scope of the violation, including the number of persons in and out of this Commonwealth affected by the conduct constituting the violation.
- (iii) The amount of restitution or compensation that the violator has made and the number of persons in this Commonwealth to whom the restitution or compensation has been made.
- (iv) Past and concurrent conduct of the violator that has given rise to any sanctions or judgment imposed by, or pleas of guilty or nolo contendere or settlement with, the department or any securities administrator of any other state or other country, any court of competent jurisdiction, the Securities and Exchange Commission, the Commodity Futures Trading Commission, any other Federal or State agency or any national securities association or national securities exchange as defined in the Securities Exchange Act of 1934 (48 Stat. 881, 15 U.S.C. § 78a et seq.).
- (v) Any other factor that the department finds appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of this act.

70 P.S. §1-602(c)(2).

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA :
DEPARTMENT OF BANKING AND :
SECURITIES, BUREAU OF SECURITIES :
LICENSING :

v. :

Docket No.: 21 0008 (SEC-OSC)

PHILADELPHIA INVESTMENT :
PARTNERS, LLC :

PETER C. ZEULI :

ORDER

AND NOW this 26th day of April, 2022, based on the foregoing Findings of Fact, Conclusions of Law, and Discussion it is hereby **ORDERED** as follows:

Respondents Philadelphia Investment Partners, LLC, and Peter C. Zeuli shall pay an administrative assessment of \$2,000 for each of the 4 violations of Section 301(f), 70 P.S. § 1-301(f), for a total assessment in the amount of \$8,000 pursuant to Section 602.1(c) of the 1972 Act, 70 P.S. §1-602.1(c). Respondents shall be jointly and severally liable for payment of this assessment.

Respondents Philadelphia Investment Partners, LLC, and Peter C. Zeuli shall pay an administrative assessment of \$50,000 for each of the 2 violations of Section 301(c), 70 P.S. § 1-301(c), for a total assessment in the amount of \$100,000 pursuant to Section 602.1(c) of the 1972 Act, 70 P.S. §1-602.1(c). Respondents shall be jointly and severally liable for payment of this assessment.

Payment of the administrative assessment shall be by certified check, attorney's check, or U.S. Postal Service money order made payable to the "Commonwealth of Pennsylvania," and shall

be mailed within thirty days of the effective date of the Commission's Final Order in this matter,
unless otherwise directed to:

Gerard Mackarevich, Counsel
Banking and Securities Commission
Market Square Plaza
17 N. Second Street, Suite 1300
Harrisburg, PA 17101

BY ORDER:

Redacted

Michael T. Foerster
Hearing Officer

For the Commonwealth: John Chiappetta, Esquire
Veronica N. Hoof, Esquire
PA Department of Banking and Securities | Office of Chief Counsel
17 North 2nd Street
Harrisburg, PA 17101

For Respondent: Paula D. Shaffner, Esquire
Stradley Ronon
2005 Market St #2600
Philadelphia, PA 19103

Docket Clerk: Bileen Smith

Date of Mailing:

4/26/22

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES

FILED

2022 APR 26 AM 7:19

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND
SECURITIES, BUREAU OF SECURITIES
LICENSING,

PETITIONER,

v.

PHILADELPHIA INVESTMENT PARTNERS, LLC
PETER C. ZEULI

RESPONDENT

PA DEPARTMENT OF
BANKING AND SECURITIES

Docket No. : 210008 (SEC-OSC)

CERTIFICATE OF SERVICE

I hereby certify that on April 26, 2022, I served a true and correct copy of the attached Letter and Proposed Report in accordance with the requirements of 1 Pa. Code § 33.31 (relating to service by agency), in the manner indicated below:

By Hand Delivery Mail:

Veronica Hoof
Assistant Counsel
PA Department of Banking and Securities
17 North Second Street, Suite 1300
Harrisburg, PA 17101

By United States First Class Mail:

Paula D. Shaffner, Esquire
Stradley Ronon Stevens & Young, LLP
2005 Market St., Suite 2600
Philadelphia, PA 19101

By:

Redacted

Eileen Smith, Docket Clerk
PA Department of Banking and Securities
17 North Second Street, Suite 1300
Harrisburg, Pennsylvania 17101

