

**COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES**

COMMONWEALTH OF PENNSYLVANIA	:	Docket No.: 24 0041 (SEC-OSC)
DEPARTMENT OF BANKING AND	:	
SECURITIES, BUREAU OF SECURITIES	:	
COMPLIANCE AND EXAMINATIONS	:	
	:	
v.	:	
	:	
STOUT BOWMAN & ASSOCIATES ¹	:	
MATTHEW STOUT	:	
	:	

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities (“Department”), Bureau of Securities Compliance and Examinations (“Bureau”), has conducted an investigation of the business practices of Stout Bowman & Associates LLC (“SBA”) and its officers and employees. Based on the results of its investigation, the Bureau has concluded that SBA operated in violation of the Pennsylvania Securities Act of 1972, 70 P.S. § 1-101 et. seq. (“1972 Act”). SBA, in lieu of litigation, and without admitting or denying the allegations herein, and intending to be legally bound, hereby agrees to the terms of this Consent Agreement and Order (“Order”).

BACKGROUND

1. The Department is the Commonwealth of Pennsylvania’s administrative agency authorized and empowered to administer and enforce the 1972 Act.
2. The Bureau is primarily responsible for administering and enforcing the 1972 Act for the Department.

¹ This Consent Agreement and Order is only applicable to Stout Bowman & Associates.

3. SBA, CRD #130631, was, at all times material herein, a Pennsylvania limited liability company with an address of 555 Gettysburg Pike, Ste. C-100, Mechanicsburg, Pennsylvania 17055.

4. From in or about July 2012 to present, SBA was registered pursuant to Section 301 of the 1972 Act, 70 P.S. § 1-301, as an investment adviser.

5. From in or about June 2018 to September 2023, SBA employed at least one "investment adviser representative" in Pennsylvania within the definition of Section 102(j.1) of the 1972 Act, 70 P.S. § 1-102(j.1).

6. Regulation 305.011(a), 10 Pa. Code § 305.011(a), requires registered investment advisers to exercise diligent supervision, and accept final responsibility for proper supervision, over the securities activities of their agents, investment adviser representatives, and employees by establishing and maintaining written procedures and a system for applying and enforcing those written procedures which are reasonably designed to achieve compliance with the 1972 Act and other securities laws and regulations.

7. From in or about June 2018 to September 2023, SBA did not exercise diligent supervision over the securities activities of its investment adviser representative by failing to establish and maintain written procedures and a system for applying and enforcing those written procedures, pursuant to Regulation 305.011(a), 10 Pa. Code § 305.011(a), with respect to securities, such as inverse ETFs.

VIOLATION

8. By engaging in the acts and conduct set forth in paragraphs 3 through 7 above, SBA failed to establish and maintain written procedures and a system for applying and enforcing those written procedures which are reasonably designed to achieve compliance with the 1972 Act and regulations adopted thereunder with respect to inverse exchange-traded funds which forms a basis

to deny, suspend, revoke or condition the registration of SBA or censure SBA pursuant to Section 305(a)(v) of the 1972 Act, 70 P.S. § 305(a)(v) and Regulation 305.011(a), 10 Pa. Code § 305.011(a).

RELIEF

9. SBA shall pay the Department an administrative assessment in the amount of \$70,000. Payment shall be made by certified check or money order payable to the "Department of Banking and Securities" and shall be mailed or delivered, in person, to the Bureau of Securities Compliance and Examinations located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

The assessment shall be paid as follows:

- a) \$4,375 on or before March 1, 2025;
- b) \$4,375 on or before June 1, 2025;
- c) \$4,375 on or before September 1, 2025;
- d) \$4,375 on or before December 1, 2025;
- e) \$4,375 on or before March 1, 2026;
- f) \$4,375 on or before June 1, 2026;
- g) \$4,375 on or before September 1, 2026;
- h) \$4,375 on or before December 1, 2026;
- i) \$4,375 on or before March 1, 2027;
- j) \$4,375 on or before June 1, 2027;
- k) \$4,375 on or before September 1, 2027;
- l) \$4,375 on or before December 1, 2027;
- m) \$4,375 on or before March 1, 2028;
- n) \$4,375 on or before June 1, 2028;
- o) \$4,375 on or before September 1, 2028; and
- p) \$4,375 on or before December 1, 2028.

10. SBA is ordered to comply with the 1972 Act, and Regulations adopted by the Department, and in particular Regulation 305.011(a), 10 Pa. Code §305.011(a).

11. Should SBA fail to pay the assessment as set forth in paragraph 9 above, the sanctions set forth elsewhere in the Order shall continue in full force and effect until full payment is made. However, this provision shall not be construed as affording SBA the option of either paying the assessment or being indefinitely subjected to sanctions.

12. Should SBA fail to comply with any and all provisions of this Order, the Department may impose additional sanctions and costs and seek other appropriate relief subject to SBA's right to a hearing pursuant to the 1972 Act.

FURTHER PROVISIONS

13. Consent. SBA hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Order pursuant to the Bureau's authority under the 1972 Act and agrees that it understands all of the terms and conditions contained herein. SBA, by voluntarily entering into this Order, waives any right to a hearing or appeal concerning the terms, conditions and/or penalties set forth in this Order.

14. Entire Agreement. This Order contains the entire agreement between the Department and SBA. There are no other terms, obligations, covenants, representations, statements, conditions, or otherwise, of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement by the Department and SBA.

15. Binding Nature. The Department and SBA, and all officers, owners, directors, employees, heirs, and assigns of SBA intend to be and are legally bound by the terms of this Order.

16. Counsel. This Order is entered into by the parties upon full opportunity for legal advice from legal counsel.

17. Effectiveness. SBA hereby stipulates and agrees that the Order shall become effective on the date the Bureau executes the Order ("Effective Date").

18. Other Enforcement Action.

(a) The Department reserves all of its rights, duties, and authority to enforce all statutes, rules and regulations under its jurisdiction against SBA in the future regarding all matters not resolved by this Order, except that the Department will not institute a proceeding against SBA under Section 305(a) of the 1972 Act, 70 P.S. § 1-305(a), on the basis of any information obtained by the Department from the investigation by the Bureau of SBA which formed the basis of this Order.

(b) SBA acknowledges and agrees that this Order is only binding upon the Department and not any other local, state or federal agency, department or office regarding matters within this Order.

19. Authorization. The parties below are authorized to execute this Order and legally bind their respective parties.

20. Counterparts. This Order may be executed in separate counterparts, by facsimile and by PDF.

21. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

22. Finding. The Department finds that it is necessary and appropriate in the public interest and for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the 1972 Act to issue this Order.

WHEREFORE, in consideration of the foregoing, including the recital paragraphs, the Commonwealth of Pennsylvania, Department of Banking and Securities, Bureau of Securities

Compliance and Examinations, and SBA intending to be legally bound, do hereby execute this
Consent Agreement and Order.

**FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES
BUREAU OF SECURITIES COMPLIANCE AND
EXAMINATIONS**

Redacted

Eric R. Pistilli
Deputy Secretary for Securities

Date: 2/24/2025



FOR STOUT BOWMAN & ASSOCIATES:

Redacted

(Signature)

MATTHEW A. STOUT

(Print Name)

MANAGING MEMBER

(Title)

Date: 2-24-25