

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION
CONCORD, NEW HAMPSHIRE**

IN THE MATTER OF:

**Joseph Ambrosole (CRD: 5732488)
Joseph Stone Capital, LLC (CRD: 159744)**

I-2020000017

RESPONDENTS

CONSENT ORDER

- I. For purposes of settling the above-referenced matter and in lieu of further administrative proceedings, Joseph Ambrosole (CRD: 5732488) (hereinafter referred to as “Ambrosole”), and Joseph Stone Capital, LLC (hereinafter referred to as “JSC”) (collectively, “Respondents”) have submitted an offer of settlement, which the Bureau of Securities Regulation, Department of State, State of New Hampshire (hereinafter referred to as the “Bureau”) has determined to accept. Accordingly, and without admitting or denying the facts, violations or statements of law contained herein, Respondents do hereby consent to the entry of this Consent Order:

STATEMENT OF FACTS

1. JSC is a registered broker-dealer in the State of New Hampshire, and has been registered in New Hampshire since April 1, 2013.
2. Ambrosole is a registered broker-dealer agent in the State of New Hampshire with JSC. He has held active registration in New Hampshire since January 12, 2018. He previously has been intermittently registered in New Hampshire since 2010.
3. Prior to his employment with JSC, Ambrosole faced two regulatory actions from FINRA which were consented to without admitting or denying the allegations. One of these actions by FINRA alleged unauthorized trading which resulted in \$645.97 in losses in the customer's account and the other involved failure to timely provide information to FINRA. Because of the regulatory actions, Ambrosole's securities registrations were suspended and he faced fines and penalties. As a result of his prior history, Ambrosole was placed on heightened supervision by JSC from November 7, 2017 through November 6, 2018, which among other requirements, called for daily monitoring of trade activity.

4. Ambrosole retained one client residing in New Hampshire (“the investor”) since his employment with JSC.
5. The investor is an 80-year-old man who resided in Lebanon, New Hampshire during the timeframe in which the violations occurred.
6. The investor is a former businessperson who owned and operated a successful business out of New Hampshire and Vermont. Since at least February 2017, family members and medical records of the investor indicate he began to sustain serious and permanent progressive neurological, mental, and cognitive issues, injuries and conditions.
7. Ambrosole solicited the investor to become a client of Ambrosole’s and JSC in late 2017. Account opening documents were signed by the investor on December 11, 2017. The investor’s risk tolerance was listed as “speculative,” the highest possible risk tolerance on the document.
8. An options agreement was provided to and signed by the investor on April 27, 2020. Two days later, despite having a substantial net worth and significant assets, a margin agreement was given to and signed by the investor.
9. On October 30, 2019 and January 9, 2020, a manager from JSC allegedly called the investor and filled out documentation that indicated the investor was satisfied with the relationship Ambrosole and the investor had, and allowed the relationship to continue.
10. After the investor’s health had declined, the investor’s daughter, who holds a power-of-attorney, ultimately terminated the relationship with JSC and Ambrosole after viewing the account and trading activity by Ambrosole.
11. Throughout the relationship of the accounts, from December 2017 to August 2020, Ambrosole unsuitably traded securities in the investor’s accounts. As a result, the investor sustained losses of at least \$175,000, while Ambrosole and JSC made high commissions. Over the period of time lasting just over 2.5 years, Ambrosole generated in excess of \$150,000 in commissions. For certain periods, the annualized cost-to-equity ratios in the account were as high as 35 percent and the annualized turnover ratios were as high as 12. For the life of the account, the average cost-to-equity ratio was 22.52 with a turnover ratio of 5.79¹ ².

STATEMENTS OF LAW

1. Ambrosole and JSC are “persons” within the meaning of RSA 421-B:1-102(39).
2. JSC is a broker-dealer within the meaning RSA 421-B:1-102(6).
3. Ambrosole is a broker-dealer agent of JSC within the meaning of RSA 421-B:1-102(3).
4. Pursuant to RSA 421-B:5-501 (b)(1)(A)(“Supplemental Provisions”), in recommending to a customer the purchase, sale or exchange of a security, a broker-dealer or broker-dealer agent must

¹ The turnover ratio is a metric designed to measure the number of times the value of an account is traded in a year. Craig McCann, *Churning*, 9 J. Legal Econ. 49, 50, (1999). A turnover ratio of 5, for example, would indicate that the value of an account has been traded 5 times on average throughout the year.

² Turnover ratios above 6 generally create a presumption of quantitatively unsuitable trading. *Frota v. Prudential-Bache Secur, Inc.*, 639 F. Supp. 1186, 1191 (S.D.N.Y. 1986).

have reasonable grounds for believing that the recommendation is suitable for the customer. Ambrosole violated this provision as to the investor with respect to the quantitatively unsuitable trading of stocks, and is subject to this provision. Pursuant to RSA 421-B:4-406(k), persons licensed under RSA 421B to conduct securities business shall abide by the rules of the Securities and Exchange Commission and other self-regulating organizations (e.g., FINRA) which have jurisdiction over the licensee, which set forth standards of conduct in the securities industry. JSC failed to comply with FINRA Rule 3110 (Supervision) by failing to have adequate written supervisory policies/procedures in effect to monitor Ambrosole's trading activity and the heightened supervision agreement that they placed Ambrosole on. Ambrosole violated Rule 2111 (Suitability) by transacting unsuitable trades in the client's account.

5. Pursuant to 421-B:6-601 ("Administration of Chapter"), the Secretary of State shall have exclusive authority and jurisdiction to register Broker-dealers and Agents.
6. Pursuant to RSA 421-B:4-412(d)(9), the secretary of state may by order fine a broker-dealer if he finds that it is in the public interest and that the applicant or licensee has failed to follow written supervisory policies/procedures in effect to monitor the activity of its agents, including Ambrosole's quantitatively unsuitable trading activities.
7. Pursuant to RSA 421-B:6-604(a), if the secretary of state determines that a person has, is, or is about to materially aid in an act, practice, or course of business constituting a violation of this chapter, the secretary of state may issue an order directing the person to cease and desist from engaging in an act, practice, or course of business or to take other action necessary or appropriate to comply with this chapter. JSC and Ambrosole are subject to this section and should be required to cease and desist from engaging in the conduct as described in the Statement of Law.
8. Pursuant to RSA 421-B:6-604(d), any person who, either knowingly or negligently, violates any provisions of this chapter may, upon hearing, and in addition to any other penalty provided for by law, be subject to such suspension, revocation or denial of any registration or license, or an administrative fine not to exceed \$2,500, or both. Each occurrence of the acts specified shall constitute a separate violation. Ambrosole and JSC are subject to a fine as to each violative account transaction.
9. Pursuant to RSA 421-B:6-604(e) the secretary of state can order Respondents to pay restitution for losses to the investor. JSC and Ambrosole are subject to this provision.
10. Pursuant to RSA 421-B:6-604(g), in any investigation to determine whether any person has violated any rule or order under this title, the secretary of state shall be entitled to recover the costs of the investigation. JSC and Ambrosole are subject to this provision.

II. In view of the foregoing, JSC and Ambrosole agree to the following:

1. JSC and Ambrosole agree that they voluntarily consented to the entry of this Consent Order and represent and aver that no employee or representative of the Bureau has made any promise, representation, or threat to induce their signing of this Order.
2. JSC and Ambrosole agree to waive their right to an administrative hearing and any appeal thereof under this chapter.
3. JSC and Ambrosole agree to cease and desist from any violations of N.H. RSA 421-B.

4. This Consent Order is entered into for purposes of resolving the matter as described herein. This Order shall have no collateral estoppel effect in any other lawsuit, proceeding, or action, not described herein. Likewise, this Order shall not be construed to restrict the Bureau's right to initiate an administrative investigation or proceeding relative to conduct by JSC and Ambrosole of which the Bureau has no knowledge at the time of the date of final entry of this Consent Order.
5. JSC and Ambrosole agree not to take any action or make any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation in this Consent Order or create the impression that the Consent Order is without factual basis. Nothing in this provision affects JSC and Ambrosole's right to take contrary legal or factual positions in litigation or other legal or regulatory proceedings in which the Bureau is not a party.
6. JSC and Ambrosole agree, pursuant to this Consent Order, to pay to the Bureau an administrative fine of One Hundred Thousand (\$100,000.00), plus costs of Thirty Thousand (\$30,000), for a total of One Hundred Thirty Thousand (\$130,000.00). Payment shall be made within 10 business days of the execution of the Consent Order to the State of New Hampshire. Payment must be made by 1) business check or certified check; 2) made payable to the State of New Hampshire; and 3) mailed to the Bureau of Securities Regulation, Department of State, State House, Room 204, Concord, New Hampshire, 03301.
7. JSC and Ambersole agree, jointly and severally, and reflected appropriately on Form BD and U4, pursuant to this Consent Order, to pay restitution to the investor in the amount of One Hundred Seventy-Five Thousand Dollars (\$175,000.00). Payment shall be payable to the investor and delivered to the Bureau within 10 business days of the execution of the Consent Order. Payment must be made by business check or certified check and mailed to the Bureau of Securities Regulation, Department of State, State House, Room 204, Concord, New Hampshire, 03301.
8. This Consent Order is not intended to be a final order based upon violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct. Furthermore, the Consent Order waives any disqualifications in the New Hampshire laws, or rule or regulations hereunder, including any disqualification from relying upon the registration exemptions or safe harbor provisions to which JSC or any of its affiliates may be subject. This Consent Order is not intended to be the basis of any disqualifications under Section 3(a)(39) of the Securities Exchange Act of 1934 or Regulation A and Regulation D, including but not limited to Rules 504 and 506 therein, under the Securities Act of 1933 and Rule 503 of Regulation CF. This Consent Order is not intended to form the basis of any disqualification under the FINRA rules prohibiting continuance in membership absent the filing of a MC-400A application or disqualification under the SRO rules prohibiting continuance in membership. This Consent Order is not intended to form the basis of a disqualification of JSC under Section 204(a)(2) of the Uniform Securities Act of 1956, Section 412(d) of the Uniform Securities Act of 2002, or any other provision of the New Hampshire Uniform Securities Act.


III. In view of the foregoing, the Bureau deems it appropriate and in the public interest to accept and enter into this Order. THEREFORE IT IS HEREBY ORDERED THAT:

1. Pursuant to RSA 421-B:6-604(a), JSC and Ambrosio Cease and Desist for violations of the New Hampshire Uniform Securities Act;
2. Pursuant to RSA 421-B:6-604(d), an administrative fine in the amount of one hundred thousand dollars (\$100,000.00) is assessed against JSC and Ambrosio, jointly and severally, to be paid as indicated above;
3. Pursuant to RSA 421-B:6-604(g) costs of this investigation in the amount of thirty thousand dollars (\$30,000.00) are assessed against JSC and Ambrosio, jointly and severally, to be paid as indicated above;
4. Pursuant to RSA 421-B:6-604(e), JSC and Ambrosio shall pay restitution, jointly and severally, to the investor in the amount of one hundred seventy-five thousand dollars (\$175,000.00) under the conditions set forth above.

Executed this _____ day of _____, 2021

Joseph Ambrosiole

Executed this 12 day of March, 2021



Joseph Stone Capital, LLC

Damian Maggio

Print name and capacity

Executed this 15th day of March, 2021



Barry Glennon, Director

Executed this 12 day of March, 2021

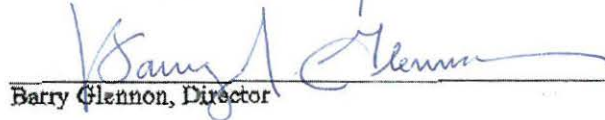

Joseph Ambrosio

Executed this _____ day of _____, 2021

Joseph Stone Capital, LLC

Print name and capacity

Executed this 15th day of March, 2021


Barry Glennon, Director