

**SECRETARY OF STATE
COMMISSIONER OF SECURITIES
STATE OF GEORGIA**

SOS SECURITIES

IN THE MATTER OF:

AUG 02 2013

**PRINCIPIA INVESTMENT
ADVISORS, LLC, CRD #134213,**

CASE NO: ENSC-120072

Respondent.

DOCKET NO.: 2013-05A

CONSENT ORDER

Pursuant to § 10-5-71(a)(1) of the Georgia Uniform Securities Act of 2008, O.C.G.A. § 10-5-1, et seq. (the “Act”), the Commissioner of Securities for the State of Georgia (the “Commissioner”) caused an investigation to be made into Respondent Principia Investment Advisors, LLC (“Principia” or the “Respondent”) to determine whether Respondent had violated the Act or a rule adopted by the Commissioner thereunder (the “Rules”). The Commissioner subsequently determined that Respondent had in fact engaged in numerous actions constituting violations of the Act and the Rules. As a result, pursuant to § 10-5-73(a)(1) of the Act, a summary order (the “May Order”) directing Respondent to immediately cease and desist from violating Georgia law was issued by the Commissioner on May 6, 2013.

In the May Order, the Commissioner further determined that, pursuant to §§ 10-5-41(b), (c) and (f) of the Act, the summary suspension of Respondent’s registration as an investment adviser with the Commissioner was necessary and in the public interest, and any reinstatement of Respondent’s registration with the Commissioner must be conditional. Accordingly, Respondent’s registration was summarily suspended for a minimum period of thirty days or until entry by Respondent into a consent order for conditional registration with the Commissioner,

whichever longer (the "Suspension Period"). The Suspension Period commenced on May 6, 2013.

Through Respondent's attorney, on May 30, 2013, Respondent timely requested a pre-hearing conference pursuant to Rule 590-4-6-.12(1). Respondent's request for a pre-hearing conference was duly accepted by the Commissioner, thereby tolling the thirty (30) day time period for requesting and setting any formal hearing before the Commissioner. Having considered information provided by Respondent and the representations made by Respondent and Respondent's counsel during the pre-hearing conference period, the Commissioner and Respondent hereby agree to the conditional registration of Respondent subject to the terms and conditions set forth herein.

CONSENT TO JURISDICTION AND WAIVER

1. Respondent consents to the jurisdiction of the Commissioner over Respondent and this matter pursuant to the Act.
2. Respondent waives its right to a formal hearing pursuant to the Act with respect to this matter.
3. Respondent and the Commissioner stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
4. Respondent agrees not to take any action or to make or permit to be made any public statement creating the impression that this Consent Order is without factual basis.
5. Respondent stipulates and agrees with the Commissioner that should any facts herein prove to be false, the Commissioner reserves the right to pursue any and all legal or administrative remedies at his disposal.

FINDINGS OF FACT AND CONCLUSIONS OF LAW

6. Paragraphs 1 through 62 of the May Order are incorporated by reference as though fully set forth herein.

7. During the Suspension Period, Respondent has conducted no business in this State as an investment adviser and has collected no fees for investment advisory services.

ORDER

The Commissioner, after consideration of the Findings of Fact and Conclusions of Law, and on the consent of Respondent, finds this Consent Order to be in the public interest and necessary for the protection of the investing public and consistent with the Act.

NOW, THEREFORE, it is hereby **ORDERED** that the registration under the Act of **PRINCIPIA INVESTMENT ADVISORS, LLC (CRD# 134213)** shall be effective as of the date of entry of this Consent Order. For a period of twenty-four (24) months from such effective date, the registration of **PRINCIPIA INVESTMENT ADVISORS, LLC (CRD# 134213)** shall be conditioned as set forth below:

1. Respondent shall pay to the Commissioner a civil penalty of ten thousand dollars and no cents (\$10,000 00) which shall be made in four (4) equal payments of two thousand five hundred dollars and no cents (\$2,500.00). All payments to the Commissioner shall be in the form of a check payable to the order of the "Office of the Secretary of State" and shall be delivered to Thomas Zagorsky at the Georgia Secretary of State's Office, Securities Division, Suite 802, West Tower, 2 Martin Luther King Jr. Drive, SE, Atlanta, Georgia 30334 Respondent shall remit payment to the Commissioner according to the following schedule:

- a. The first payment shall be made concurrently with Respondent's signing of this Consent Order.
 - b. The second payment shall be made within three (3) months of the effective date of this Consent Order.
 - c. The third payment shall be made within six (6) months of the effective date of this Consent Order.
 - d. The fourth payment shall be made within nine (9) months of the effective date of this Consent Order.
2. Respondent shall at all times employ or retain a Chief Compliance Officer ("CCO") to be responsible for Respondent's compliance program. As a condition of the right to continue to transact business in the State of Georgia, Respondent shall, by the close of business on the next business day following the resignation, termination or other event resulting in the CCO no longer being able to perform his/her duties, notify the Commissioner that the CCO is no longer performing such duties on behalf of Respondent.
3. The CCO on behalf of Respondent shall file with the Commissioner quarterly compliance reports as fully described in Appendix A attached hereto. The quarterly compliance reports shall be delivered to Thomas Zagorsky at the Georgia Secretary of State's Office, Securities Division, Suite 802, West Tower, 2 Martin Luther King Jr. Drive, SE, Atlanta, Georgia 30334. Respondent acknowledges and understands that failure to file compliance reports shall be deemed a willful violation of this Consent Order and the Commissioner may take additional action as a result thereof.

4. Respondent shall report to the Commissioner, in writing, any complaint against Respondent. Said report shall be filed with the Commissioner within ten (10) business days of receipt of a complaint by Respondent. Said report shall include the name, address, phone number of all complainants and all document(s) evidencing the complaint.

5. Within ten (10) days from the date this Consent Order is entered, Respondent shall file a status report (the "Status Report") with the Commissioner containing certain information as described below. The Status Report shall be delivered to Thomas Zagorsky at the Georgia Secretary of State's Office, Securities Division, Suite 802, West Tower, 2 Martin Luther King Jr. Drive, SE, Atlanta, Georgia 30334. Respondent acknowledges and understands that failure to file the Status Report, or the filing of an incomplete Status Report, shall be deemed a willful violation of this Consent Order and the Commissioner may take additional action as a result thereof. The Status Report shall contain the following:

- a. the name, address, phone number and other contact information of the CCO to be responsible for Respondent's compliance program commencing on the date of this Consent Order.
- b. a copy of Respondent's Compliance Manual, which shall be reasonably designed to prevent violations of the Act and the Rules, and specifically tailored to address Respondent's business. Respondent's Compliance Manual shall specifically set forth various compliance tasks or "compliance milestones" to be achieved throughout Respondent's fiscal year and the person(s) responsible for ensuring Respondent's achievement of such compliance milestones.

- c. a copy of Respondent's updated Form ADV, including its Part II brochure, as filed via the online Investment Adviser Registration Depository ("IARD") system.
6. To the extent that upon signing this Consent Order Respondent does not have an executed investment advisory contract complying with the Commissioner's Rule 590-4-4-.17 for any client, Respondent shall not be permitted to collect any investment advisory fee from that client for such period of time for which no valid investment advisory contract is in place with respect to that client.
7. Commencing on the tenth (10th) day following the effective date of this Consent Order, Respondent shall at all times maintain a minimum net worth of fifteen thousand dollars and no cents (\$15,000.00). The term "net worth" shall mean an excess of assets over liabilities, as determined by generally accepted accounting principles applicable in the United States of America ("US GAAP"), but shall not include as assets: goodwill, copyrights, marketing rights, and all other assets of intangible nature; home, home furnishings, automobile(s), and any other personal items; and advances or loans to officers and owners of Respondent. As a condition of the right to continue to transact business in the State of Georgia, Respondent shall, by the close of business on the next business day following the discovery that Respondent's net worth is less than the minimum required, notify the Commissioner that Respondent's net worth is less than the minimum required.
8. Within thirty (30) days of the effective date of this Consent Order, Respondent shall certify in writing to the Commissioner that it has completed the following measures:

- a. to the extent that Respondent has not obtained executed investment advisory contracts complying with the Commissioner's Rule 590-4-4-.17 for each client of Respondent prior to signing this Consent Order, Respondent shall either obtain an executed investment advisory contract for such client or terminate all business relationships with that client;
 - b. Respondent shall prepare a list of clients for which it holds "custody" of client funds or securities, as such term is defined in the Commissioner's Rule 590-4-4-.20(4)(b), and whether such custody is based solely upon sub-paragraph (4)(b)(1)(ii) of Rule 590-4-4-.20;
 - c. Respondent shall furnish each of its clients with (i) a brochure, which may be a copy of Part 2A of its Form ADV, or written documents containing the information required by Part 2A of Form ADV; and (ii) a copy of its Form ADV-Part 2B brochure supplement for each individual representative of Respondent; and
 - d. Respondent shall obtain from each of its clients completed suitability questionnaires concerning such client's investment objectives, financial situation and needs.
9. Within sixty (60) days of the effective date of this Consent Order, Respondent shall file with the Commissioner audited financial statements dated as of the end of Respondent's most recent fiscal year. Such statements shall be prepared in conformity with US GAAP, audited by an independent certified public accountant in accordance with generally accepted auditing standards, and accompanied by an opinion of the accountant as to the report of financial position, and by a note stating the principles used

to prepare it, the basis of any included securities, and any other explanations required for clarity. The annual audit shall contain a Statement of Financial Condition/Balance Sheet, a Statement of Income, a Statement of Cash Flows, and a Statement of Changes in Stockholders' or Partners' or Sole Proprietor's Equity. Such statements shall be in a format which is consistent with such statements as contained in U.S. Securities and Exchange Commission Form X-17A-5. See 17 U.S.C. § 249.617. Respondent acknowledges and understands that failure to file audited financial statements with the Commissioner shall be deemed a willful violation of this Consent Order and the Commissioner may take additional action as a result thereof.

If at any time it appears to the Commissioner that Respondent has failed to comply with this Consent Order or has made any other material misrepresentation or omission in regards to this matter, the Commissioner may take further action.

SO ORDERED, this 15th day of August, 2013.

BRIAN P. KEMP
SECRETARY OF STATE
COMMISSIONER OF SECURITIES

By: 
VINCENT R. RUSSO
Assistant Commissioner of Securities

CONSENT

The undersigned consents to the issuance of this Consent Order and the terms and conditions set forth herein. The undersigned further waives the opportunity for a hearing and any right to appeal the entry thereof.

This 29th day of July, 2013.

PRINCIPIA INVESTMENT ADVISORS, LLC

By: J. Derek Imes
JAY DEREK IMES
Managing Member

APPENDIX A

The following information shall be provided to the Commissioner on a quarterly basis no later than the tenth (10th) business day following the end of a calendar quarter:

1. A listing of any/all violations of the policies and procedures articulated in Respondent's Compliance Manual, including but not limited to failures to meet any applicable compliance milestones during the reporting quarter. For each reported violation, Respondent shall provide a 1-3 paragraph description of the violation and the steps taken by Respondent to rectify such violation.
2. A chart or other document tracking the achievement of all applicable compliance milestones during the reporting quarter.
3. A list describing the name, address, phone number, beginning assets under management, and custodian of record for each new client/account obtained during the reporting quarter.
4. A list describing the name, address, phone number, ending assets under management, and custodian of record for each client/account terminated for any reason during the reporting quarter, and the reason for such termination.
5. A list of any new employees hired by Respondent.
6. A list of any employees terminated for any reason by Respondent, and the reason for such termination.
7. Notice of any new bank accounts opened on behalf of Respondent.
8. Notice of changes made by Respondent with respect to material vendors or service providers, including but not limited to accountants, auditors, attorneys, data warehouse/information technology providers and compliance consultants.
9. Notice of any new brokers or custodians used or approved-for-use by Respondent.
10. Respondent's total reportable regulatory assets under management as of the last day of the reporting quarter.
11. Respondent's total number of clients/accounts as of the last day of the reporting quarter.
12. Any edits or other changes made to Respondent's Compliance Manual.
13. Any edits or other changes made to Respondent's Form ADV, Parts I and II.
14. An unaudited copy of Respondent's Statement of Financial Condition/Balance Sheet as of the last day of the reporting quarter.
15. Any new marketing or advertising materials created by Respondent and disseminated to any Firm client during the reporting quarter.