

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

IN THE MATTER OF:

Thomas M. Chadwick CRD #2870028)
Chadwick & D'Amato, LLC) ORDER TO CEASE AND DESIST
CRD # 116197) COM-2021-000003
Respondents)

NOTICE OF ORDER

This Order commences an adjudicative proceeding under the provisions of RSA 421-B:6-613.

LEGAL AUTHORITY AND JURISDICTION

Pursuant to RSA 421-B:6-604(a), the Secretary of State has the authority to issue and cause to be served an order requiring any person appearing to him to be engaged or about to be engaged in any act or practice constituting a violation of RSA 421-B or any rule or order thereunder, to cease and desist from violations of RSA 421-B.

Pursuant to RSA 421-B:5-508, any person who willfully violates a cease and desist order issued pursuant to RSA 421-B:6-603 or RSA 421-B:604, or who violates RSA 421-B:5-505 knowing that the statement was false or misleading in any material respect, shall be guilty of a class B felony.

Pursuant to RSA 421-B:6-604(d), the Secretary of State has the authority to impose administrative penalties of up to \$2,500 for a single violation.

Pursuant to RSA 421-B:6-604(e) the Secretary of State may order rescission, restitution or disgorgement for violations of this chapter.

Pursuant to RSA 421-B:6-604(g), the Secretary of State may charge the actual cost of an investigation or proceeding for a violation of this chapter or an order issued under this chapter.

NOTICE OF RIGHT TO REQUEST A HEARING

The above-named respondents have the right to request a hearing on this order to cease and desist, as well as the right to be represented by counsel. Any such request for a hearing shall be in writing, shall be signed by the respondents, or by the duly authorized agent of the above-named respondents, and shall be delivered either by hand or certified mail, return receipt requested, to the Bureau of Securities Regulation, Department of State, 25 Capitol Street, Concord, New Hampshire 03301.

Under the provisions of RSA 421-B: 6-604(b), within 15 days after receipt of a request in a record from the respondents, the matter will be scheduled for a hearing. If the Respondents subject to the order does not request a hearing and none is ordered by the secretary of state within 30 days after the date of service of the order, the order becomes final. If a hearing is requested or ordered, the secretary of state, after notice of and opportunity for hearing to the respondents subject to the order, may modify or vacate the order or extend it until final determination. If the respondents to whom a cease and desist order is issued fails to appear at the hearing after being duly notified, such respondents shall be deemed in default,

and the proceeding may be determined against him or her upon consideration of the cease and desist order, the allegations of which may be deemed to be true.

STATEMENT OF ALLEGATIONS

The allegations contained in the Staff Petition for Relief dated June 21, 2023 (a copy of which is attached hereto) are incorporated by reference hereto.

ORDER

WHEREAS, finding it necessary and appropriate and in the public interest, and for the protection of investors and consistent with the intent and purposes of the New Hampshire securities laws, and

WHEREAS, finding that the allegations contained in the Staff Petition, if proved true and correct, form the legal basis of the relief requested, therefore:

It is hereby **ORDERED**, that:

1. Respondents are hereby ordered to immediately cease and desist from further violations of N.H. RSA 421-B.
2. Respondents shall jointly and severally pay restitution in the amount of \$11,108,725.09 plus statutory interest.
3. Respondents shall jointly and severally pay an administrative fine, the amount to be determined by the hearing officer.
4. Respondents shall jointly and severally pay the Bureau's costs of investigation and related proceedings, the amount to be determined by the hearing officer.
5. Respondents are permanently barred from any securities licensure in New Hampshire.
6. Failure to request a hearing within 30 days of the date of receipt of this Order shall result in a default judgment being rendered and administrative penalties and other relief described herein being imposed upon the defaulting respondents.

SIGNED,
DAVID M. SCANLAN
SECRETARY OF STATE
BY HIS DESIGNEE:

Dated: June 22, 2023


BARRY J. GLENNON, DIRECTOR,
BUREAU OF SECURITIES REGULATION

STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION
25 CAPITOL STREET
CONCORD, NH 03301

STAFF PETITION FOR RELIEF
IN THE MATTER OF:

Thomas M. Chadwick (CRD: 2870028)
Chadwick & D’Amato, LLC (CRD: 116197)

No. COM-2021-000003

I. INTRODUCTION

The New Hampshire Department of State, Bureau of Securities Regulation (the “**Bureau**”) hereby petitions the Director for relief and a summary order in the matter of Thomas M. Chadwick (“**Chadwick**”) (CRD No. 2870028) and Chadwick & D’Amato, LLC (“**Chadwick & D’Amato**”) (CRD No. 116197) (collectively, the “**Respondents**”). The Bureau petitions the Director to issue an order directing Chadwick to cease and desist from further unsuitable trading, breach of fiduciary duties, investment adviser fraud, and further violations of N.H. RSA 421-B. The Bureau further petitions the Director to issue an order permanently barring Chadwick from any securities licensure in the State of New Hampshire, for restitution, with interest, as a result of any losses incurred from his unlawful actions, to pay fines and costs as indicated further in the Petition, and for further relief described herein.

II. STATEMENT OF FACTS

The Bureau hereby alleges the following statements of fact in support of its Staff Petition for Relief:

Introduction and Background Information

1. Chadwick is a resident of New London, New Hampshire, and was an investment adviser representative in the State of New Hampshire until December 23, 2021. On that date, Chadwick’s registration ended, and he has not been registered since.

2. Chadwick's registration was held with Chadwick & D'Amato, which also operated out of New London, New Hampshire since approximately 2000. Chadwick was a principal of Chadwick & D'Amato and operated the business alongside Anthony D'Amato ("**D'Amato**"). D'Amato is not presently implicated in or related to the present action.
3. Chadwick & D'Amato's registration was terminated on December 31, 2021. While registered, Chadwick conducted his fee-based, investment-advisory business through a Fidelity Brokerage Services, LLC ("**Fidelity**") platform. While Chadwick was a registered investment adviser representative with the State of New Hampshire, Fidelity had custody of client funds.
4. Pursuant to Chadwick & D'Amato's Form ADV filed on March 26, 2020, Chadwick & D'Amato had approximately 111 investment-advisory clients.
5. As part of his investment-advisory services, Chadwick, pursuant to contract, provided "Ongoing Management Services" detailed in both Client Services Agreements and Form ADV Part 2A. These services included, but were not limited to, the following:
 - a. Continuous management of investment portfolios on a discretionary basis;
 - b. The performance of "very frequent internal and spot review[s] of your investment portfolio";
 - c. An initial "know your client" type of interview to "determine the client's financial circumstances, goals, acceptable levels of risk, any reasonable restrictions on the management of their account, and other relevant circumstances"; and
 - d. Client account management based on "the client's financial circumstances and investment objectives."
6. Chadwick, as an investment adviser, was responsible for the management of his clients' accounts. Chadwick ultimately purchased REML in the accounts of approximately 99 clients ("**All Client Accounts**"). REML is the security of concern in this petition. Of those 99 clients, the following investors held REML in a manner the Bureau alleges was contrary to Chadwick's fiduciary duty of customer-specific suitability, as detailed within this petition:¹
 - a. **Investors JT & AM.** JT, 82 years old, and AM, 81 years old, are residents of Woodstock, Vermont. JT and AM first became investment-advisory clients of Chadwick in approximately 2003. When they started with Chadwick, JT and AM established "filters" for their investments so that

¹ The following information is sourced from account statements, surveys, and interviews between investors and the Bureau.

their money was not invested in places where they did not want their money to go. Specifically, they did not want to invest in anything that could harm people, animals, or the planet. JT and AM were both conservative- to moderate-risk-tolerant investors who were interested in modest growth, but who prioritized wealth conservation.

- b. **Investors BM & MEM.** BM, 72 years old, and MEM, 71 years old, are both residents of New London, New Hampshire.
- c. **Investor JEM.** JEM is a 46-year-old resident of Hanover, New Hampshire. While he was a client of Chadwick, JEM had a moderate risk tolerance, and JEM's goal for his account with Chadwick was to generate income to pay down college debts.
- d. **Investor RM.** RM is a 76-year-old resident of New London, New Hampshire. RM retired in January of 2008. RM first became an investment-advisory client of Chadwick in approximately 2018. RM was a low-risk investor who stated he was "not at an age to take risks." RM also noted that Chadwick seemed to accept his low risk tolerance at first "[b]ut later, when REITs in our folder went down, he suggested we be more open to taking risks."
- e. **Investors JM & DM.** JM and DM, both 84 years old, are residents of Lebanon, New Hampshire. JM and DM first became investment-advisory clients of Chadwick in 1998, the same year JM retired. While they were clients of Chadwick, JM and DM had a conservative risk tolerance. JM and DM's investment goals with Chadwick were focused on retirement.
- f. **Investors LM & MM.** LM, 76 years old, and MM, 68 years old, are both residents of Center Tuftonboro, New Hampshire. LM retired in 2005 and MM retired around 2012. LM and MM first became investment-advisory clients of Chadwick in the mid-1990s. LM and MM have relied on LM's account for monthly income distributions since approximately 2005. Since they first became clients of Chadwick, LM and MM stated that their risk tolerance was conservative, and that Chadwick knew they were conservative investors. LM and MM's risk tolerance did not change over the course of their client-adviser relationship.
- g. **Investor RP.** RP is a 44-year-old resident of Jericho, Vermont. RP first became an investment-advisory client of Chadwick in approximately 2011. While he was a client of Chadwick, RP was a moderate risk investor. RP's goals for his accounts with Chadwick were to maximize potential gains and minimize losses and eventually, once retired, those funds would be RP and his wife's retirement funds.
- h. **Investor CR.** CR is a resident of Hartland, Vermont. CR, 68 years old, retired at the end of 2018. CR first became an investment-advisory client

of Chadwick around 2012. At that time, CR expressed that her goal was to ensure her child, who has special needs, was going to be provided for and to plan for retirement. Chadwick also managed CR's child's account, which sustained significant losses in REML. At all times during her client-adviser relationship with Chadwick, CR was a conservative investor.

- i. **Investor RS.** RS is a 70-year-old resident of Sunapee, New Hampshire.
- j. **Investors JVS and FB.** FB and JVS currently live in Scottsdale, Arizona. FB is an 80-year-old retiree. JVS is 76 years old and retired around 2004. FB and JVS began as investment-advisory clients of Chadwick around 2002. When they first started with Chadwick, FB and JVS's investment goal was to retire comfortably. Throughout the duration of their investment-advisory client relationship with Chadwick, FB and JVS were low-risk investors who wanted to have a diversified portfolio—two desires predicated on Chadwick's suggestion.
- k. **Investors JS and MLS.** JS and MLS are both residents of Middlebury, VT. JS, 67 years old, retired in 2011 while MLS, 63 years old, retired in 2014. JS and MLS became investment-advisory clients of Chadwick around 2010, at which time they stated their goals were to save and plan for retirement by the time JS and MLS turned 55 years old. Since starting with Chadwick, JS believes Chadwick understood they were willing to take moderate investment risk.
- l. **Investor PS.** PS is a 65-year-old resident of Hood River, Oregon. During his time as one of Chadwick's investment-advisory clients, PS said he was "historically [a] conservative" investor. PS's investment goals, since approximately 2019, were to plan for his retirement and establish a budget for retirement. As such, PS was planning on Chadwick building his portfolio while PS began taking a fixed income distribution to practice a fixed budget for retirement.
- m. **Investor ZS.** ZS is an 82-year-old resident of Woodstock, Vermont who retired in 2003. ZS first started as an investment-advisory client of Chadwick in the mid-1990s. ZS stated that she has always been a conservative investor that did not want to "gamble." ZS expressed that her investment goal was "to have money to live on after [she] retired."
- n. **Investors CT and RT.** CT and RT are both residents of Lebanon, New Hampshire. RT, 78 years old, is fully retired from employment while CT, 76 years old, continues to work part-time. CT and RT were Chadwick's investment-advisory clients for at least 15 years. At the beginning of that relationship, CT and RT were able to tolerate moderate risk in their portfolios; however, over the course of the several years preceding REML's crash, CT and RT informed Chadwick that they only wanted to

take on low-risk investments. RT stated his and CT's goal for their portfolio managed by Chadwick was to "make enough money a month to just draw out a certain amount for retirement" from RT's retirement account, which RT and CT began drawing from in around 2015.

- o. **Investor PW.** PW is a 67-year-old resident of Randolph, Vermont. PW retired in 2020. PW started as an investment-advisory client of Chadwick in the late 1990s. While she was one of Chadwick's clients, PW was willing to tolerate moderate risk and risk appropriate for her age. PW's goals were to save and manage her accounts for retirement.
- p. **Investor PMW.** PMW is a 75-year-old resident of Marlborough, New Hampshire, who retired in approximately 2012. PW first became an investment-advisory client of Chadwick in 2002. When she first started with Chadwick in 2002, PW had a moderate risk tolerance. As PMW aged closer to 65, she stated that Chadwick expressed that they should build her account more slowly; upon Chadwick's recommendation and at PMW's current age, PMW agreed that she was more conservative in her ability to tolerate risk.
- q. **Investor RMW.** RMW, 84 years old, is a current resident of an assisted living facility in Lebanon, New Hampshire, receiving treatment for Alzheimer's. RMW has resided at this facility for at least 5 years. RMW retired around 2010. RMW first became an investment-advisory client of Chadwick in the mid-2000s. At the time Chadwick began purchasing REML in RMW's account, RMW required fixed income distributions from her account. Additionally, the cost of RMW's assisted living—a costly health care facility—was financed through fixed distributions directly from assets Chadwick managed. KS, RMW's designated power of attorney for approximately 15 years, has attended all client meetings between RMW and Chadwick for at least the past 10 years. According to KS, RMW was, and always has been, a "safe" and "cautious" investor.
- r. **Investor DW.** DW is a 50-year-old resident of Andover, New Hampshire. He first became an investment-advisory client of Chadwick in approximately 2012. When DW first started with Chadwick, his goals were to reduce debt and start working on an overall retirement plan. Further, while he was a client of Chadwick, DW had a moderate risk tolerance; he "didn't want to be overly aggressive but . . . didn't want to be too conservative, either."
- s. **Investor RW.** RW is a 79-year-old resident of Lebanon, New Hampshire. RW's wife, BW, is 78 years old. They have both been retired since at least 2012. RW and BW first became investment-advisory clients of Chadwick soon after they retired. In terms of investment risk, they expressed that

since they started with Chadwick, they were conservative investors who “wanted to put [their] money in the safest place.”

- t. **Investors RA & EA.** RA and EA are both residents of Reading, VT. RA, 78 years old, retired in 2019 while EA, 68 years old, is currently semi-retired and works part-time. RA and EA first started as investment-advisory clients of Chadwick around 2006. RA and EA are self-described conservative investors and conservative spenders. At the beginning of their investment-advisory relationship with Chadwick, RA and EA’s goals were to improve the amount of money in their accounts in a conservative way. After 2008, RA informed Chadwick that he only wanted his money placed into reasonably safe and secure investments because he was at an age where he could not recover and recoup his losses from another economic downturn.
- u. **Investor GLB.** GLB is a 69-year-old resident of Hanover, New Hampshire.
- v. **Investors PB & JFB.** PB and JFB are both currently residents of West Lebanon, New Hampshire. RB is 76 years old and has been retired since 2013. JFB is 74 years old and is also retired. PB and JFB first became investment-advisory clients of Chadwick in the late 1990s. When they first started with Chadwick, their goal was to evaluate their current financial situation, to be able to afford college for their children, and to save for their own retirement. PB and JFB were always conservative investors who were not interested in any risky investments.
- w. **Investors RB & MB.** RB, 72 years old, and MB, 66 years old, are retired residents of Enfield, New Hampshire. RB and MB became investment-advisory clients of Chadwick in 2015, following both RB and MB’s retirement. Neither RB nor MB had any investment knowledge and relied solely on Chadwick’s advice regarding their finances. RB and MB’s goals with their investments were to both generate income to take monthly distributions from their investment accounts and to preserve their account value. RB and MB were low risk investors and could not afford to lose the money they had.
- x. **Investors WB & JB.** WB and JB are both residents of Bethel, Vermont. WB is 79 years old and retired around 2009. JB is 76 years old and retired in 2020. WB and JB first became investment-advisory clients of Chadwick in the early 2000s. At that time, WB and JB’s goal was to be comfortable as they aged while planning for their retirement. For the entire time they were Chadwick’s clients, WB and JB had a conservative risk tolerance. WB and JB relied on regular income distributions from their accounts after their retirement.

- y. **Investors JPB & JEB.** JPB and JEB, both 63 years old, are employed full-time and currently reside in Thetford Center, Vermont. Chadwick first advised JPB and JEB as their personal investment adviser following the death of JPB's mother; however, Chadwick advised JPB in relation to her mother's funds as early as 2004. JPB and JEB, in preparation for their retirement, were, at most, comfortable with moderate risk.
- z. **Investors JC & DC.** JC, 51 years old, and DC, 53 years old, are both full-time employees and residents of Barnard, Vermont. JC and DC first became investment-advisory clients of Chadwick around 2016. At that time, JC and DC's goals were focused on their retirement. For the duration of their investment-advisory relationship with Chadwick, JC and DC were moderate-risk investors.
- aa. **Investor MC.** MC is a 71-year-old, retired resident of Fairlee, Vermont. MC started as one of Chadwick's investment-advisory clients more than twenty years ago. Since retiring, MC's investment focus was to preserve her wealth. MC avoided any high-risk investments and was cautious with her finances. MC's risk tolerance correlated with her age: as she has aged, MC's tolerance for risk has grown more conservative.
- bb. **Investor IF.** IF is an 85-year-old resident of Franklin, New Hampshire.
- cc. **Investors SG & RG.** SG, 74 years old, and RG, 76 years old, both retired in approximately 2018 and are both residents of Sunapee, New Hampshire. SG and RG started as Chadwick's investment-advisory clients in the early 2000s. Throughout their clientship with Chadwick, SG and RG's risk tolerance was moderate, and they did not want their money placed in any high-risk investments.
- dd. **Investor SBG.** SBG, 79 years old, is a retired resident of Thetford Center, Vermont. SBG first started as an investment-advisory client of Chadwick in approximately 2005. SBG was a moderate-risk investor, growing more conservative as she aged, and her goal was to have enough money to live on during her retirement. SBG intended to receive distributions from her investment account with Chadwick on an as-needed basis.
- ee. **Investor BG.** BG, 46 years old, is employed full-time and a resident of Norwich, Vermont. BG became an investment-advisory client of Chadwick in approximately 2016. When he first established his investment adviser-client relationship with Chadwick, BG's goals were to plan for college for his child, plan for retirement, and begin thinking about long-term needs for his family, including for aging parents. BG had limited investment knowledge and was able to tolerate low-to-moderate investment risk.

- ff. **Investor AH.** AH is a 79-year-old resident of Sutton, New Hampshire. AH now frequently volunteers in his free time, but he fully retired in 2006 after working part-time since 1999. When AH first became an investment-advisory client of Chadwick, AH's goal was to have someone invest his wealth and generate some income. AH did not require monthly distributions but relied on his investment account with Chadwick for incidental expenses and larger purchases. As AH aged, his tolerance for risk diminished and he wanted more conservative investments with fewer risks.
- gg. **Investors EJ & FJ.** EJ, 70 years old, and FJ, 71 years old, are residents of Wellfleet, Massachusetts.
- hh. **Investor AJ.** AJ is a 71-year-old resident of Saint Simons Island, Georgia. AJ met and became an investment-advisory client of Chadwick in mid-2017, prior to retiring in February 2018. In the initial stages of his investment adviser-client relationship, AJ's goal was to plan for his future retirement, discuss income after retirement, and come up with a plan going forward. AJ was tolerant of some short-term losses but could not tolerate a total or near-total loss of his assets. AJ anticipated needing a fixed-income distribution from his investment account during his retirement.
- ii. **Investor EK.** EK is a 64-year-old resident of Sunapee, New Hampshire.
- jj. **Investor BL.** BL is a 76-year-old resident of Newport, New Hampshire. BL retired in 2014. BL became an investment-advisory client of Chadwick around 2004. When she first started working with Chadwick, BL's investment goals were to fund her grandson's education, who is in her direct care, and create a cushion for her own retirement. BL prioritized wealth preservation.
- kk. **Investor MD.** MD is 54 years old and is a current resident of Oldsmar, Florida. Prior to moving to Florida, MD was a resident of New London, New Hampshire. MD first became an investment-advisory client of Chadwick around 2012. At that time, MD's goals were to evaluate her finances, save for her son's college, and focus on retirement. She did not need regular income from her accounts right away but planned to take distributions in the future. During her clientship with Chadwick, MD was able to tolerate moderate risk investments and did not want all of her money in "one basket."

The Facts About "REML"

- 7. Beginning in 2017, but primarily throughout the middle of 2019 and into early 2020, Chadwick placed the vast majority of his clients into a complex securities product known as "Credit Suisse X-Links Monthly Pay 2xLeveraged Mortgage

REIT Exchange Traded Notes due July 11, 2036,” more commonly referred to by its ticker symbol “REML.”

8. Broadly, REML put investor funds into a Credit Suisse branch in the Bahamas in exchange for Credit Suisse agreeing to pay investors 2x (two times) leveraged income of an index of 34 mortgage lender Real Estate Investment Trusts (“REITs”).
9. The REML investment was comprised of Exchange Traded Notes (“ETNs”). ETNs are unsecured debt securities issued by a bank which are traded on a stock exchange and track a benchmark index. With ETNs, “investment sponsors”—typically some type of corporate entity—have funds traded on an exchange in order to provide liquidity for investors.
10. REML and its returns were linked to the “monthly compounded leveraged performance of the price return version of the FTSE NAREIT All Mortgage Capped Index . . . [which] measures the composite performance of tax-qualified U.S. mortgage real estate investment trusts . . . with more than 50% of total assets invested in mortgage loans or mortgage-backed securities secured by interests in real property”²
11. The index that REML followed and placed leverage on is comprised of mortgage REITs. While a more traditional REIT purchases multiple pieces of real estate, with the investor holding a share of interest in the REIT, the REITs associated with REML used their capital to issue mortgage loans to owners of real estate, rather than purchase real estate directly. To allow liquidity, some REITs are traded on stock exchanges.
12. REML was a 2x leveraged product. Leverage, at a high level, uses borrowed capital to amplify returns. If the security is successful, it can magnify the gains associated with the security; if the security is unsuccessful, it can magnify the losses. A 2x leveraged product, then, “seeks to deliver double the daily performance of the index or benchmark that it tracks.”³
13. REML was also known as a “synthetic” investment. This means that investors who held REML **did not** hold any interest in any of the actual mortgage indices that REML follows, the mortgages themselves, or any of the associated real estate. Rather, Credit Suisse promised to approximate double the returns of the index REML followed but did that entirely through its own investments and

² Credit Suisse X-Links Monthly Pay 2xLeveraged Mortgage REIT, SEC, June 30, 2017, at 2, https://www.sec.gov/Archives/edgar/data/1053092/000110465920123238/tm2035551-1_424b2.html.

³ *Updated Investor Bulletin: Leveraged and Inverse ETFs*, SEC (Feb. 23, 2023), <https://www.sec.gov/investor/pubs/leveragedetfs-alert>.

strategies. In order to address changes associated with REML as a leveraged product, the face value of REML was reset monthly on the first of the month, adding additional risks.

14. The leverage associated with REML was also synthetic: “Investors are thus considered to have notionally borrowed \$25, which, together with the \$25 invested, represents a notional investment of \$50 in the Index Constituents”⁴ Investors did not actually hold \$50 dollars in REML; rather, Credit Suisse acted as if investors held \$50 dollars in REML and investors were subject to the real gains or losses of REML as if they had invested \$50.
15. The ETNs comprising REML were “not secured debt and [were] riskier than ordinary unsecured debt securities.”⁵ The notes that comprised REML were “Unsecured Notes,” meaning that because REML was a synthetic investment and not made of any actual real estate or mortgages, nothing—except the ability for Credit Suisse to honor the notes—backed REML in the event of failure.
16. The ETNs which comprised REML had a “Maturity Date” of July 11, 2036, at which time REML investors would receive a “cash payment per ETN” as determined by a formula detailed in the prospectus.⁶ The prospectus also noted that Credit Suisse had a “call right” for which Credit Suisse may, at their option, “call all, but not less than all, of the issued and outstanding ETNs.”⁷ A call right, in this context, means that Credit Suisse could repurchase or redeem the security on any business day of their choosing. In order to facilitate trading and liquidity, Credit Suisse had REML listed on the New York Stock Exchange. This, of course, subjected REML to market conditions, volatility, and “unpredictable factors” daily.⁸
17. REML’s volatility and unpredictable factors were subject to the U.S. residential and commercial markets, as well. Credit Suisse stated that such markets “may, in the future, experience and have, in the past, experienced a decline in value, with certain regions experiencing significant losses in property values. As a result, adverse economic, business or political developments affecting the value of real estate could affect the value of the ETNs.”⁹ Additionally, Credit Suisse explicitly warned, in bold, that “[h]istorical levels of the Index should not be taken as an indication of future performance during the term of the ETNs.”¹⁰
18. REML was designed to pay a monthly “Coupon Amount” (the “**dividend**”), calculated at twice the dividend rate of the Mortgage REITS listed on the index

⁴ Credit Suisse X-Links Monthly Pay 2xLeveraged Mortgage REIT, SEC, June 30, 2017, at 9, https://www.sec.gov/Archives/edgar/data/1053092/000110465920123238/tm2035551-1_424b2.htm.

⁵ *Id.* at 27.

⁶ *See id.* at 13.

⁷ *Id.*

⁸ *Id.* at 34.

⁹ *Id.* at 35.

¹⁰ *Id.* at 14, 37. (Internal emphasis omitted.)

REML followed, minus fees and interest. A REML investor would receive a dividend payment equal to “the sum of the *net* cash dividends or distributions that a Reference Holder of Index Constituents would have been entitled to receive in respect of the Index Constituents during the relevant period.”¹¹

19. Additional risk associated with REML arises when it is held longer than a month and past the monthly reset period, subjecting the investor to varying monthly values. This risk is known as “compounding,” and per the pricing supplement, “the performance of the ETNs for periods greater than one month is likely to be either greater than or less than two times the performance of the Index, before accounting for the Accrued Fees.”¹² Therefore, an investor must understand the consequences of compounding if the ETNs are held longer than one month.
20. Accrued fees refer to the accrued tracking fee and accrued financing charge; each type accrued, for REML, daily. Accrued fees present a separate risk and complication of REML, as they were determined and taken from the dividends of REML on a monthly basis. The pricing supplement notes that “the net negative effect of the Accrued Fees accumulates over time.”¹³
21. Among the most significant risks associated with REML was the risk of loss of a large portion of the investment. In fact, Credit Suisse warned “[y]ou will lose **some or all of your investment** if the Index Closing Level is less than the Index Closing Level at the time you purchased your ETNs.”¹⁴ (Emphasis added.) The warnings did not end there, however, with Credit Suisse noting, in bold, that “[i]f **the monthly compounded leveraged return of the Index plus any Coupon Amounts and any Stub Reference Distribution Amount as of the Call Valuation Date, if any, is insufficient to offset such a negative effect or if the monthly compounded leveraged return of the Index is negative, you will lose some or all of your investment upon our call.**”¹⁵ (Emphasis in original.)
22. Another potent risk associated with REML was the uncertainty surrounding dividend payments. The pricing supplement for REML warns “[t]he amount of any monthly Coupon Amount is uncertain and could be zero. **Therefore, you should not purchase the ETNs if you require fixed or periodic income payments.**”¹⁶ (Emphasis added.) In fact, the following graph¹⁷ demonstrates the volatility and uncertainty of REML distributions per share over a 5-year period:

¹¹ *Id.* at 54. (Emphasis in original.)

¹² *Id.* at 10, 28.

¹³ *Id.*

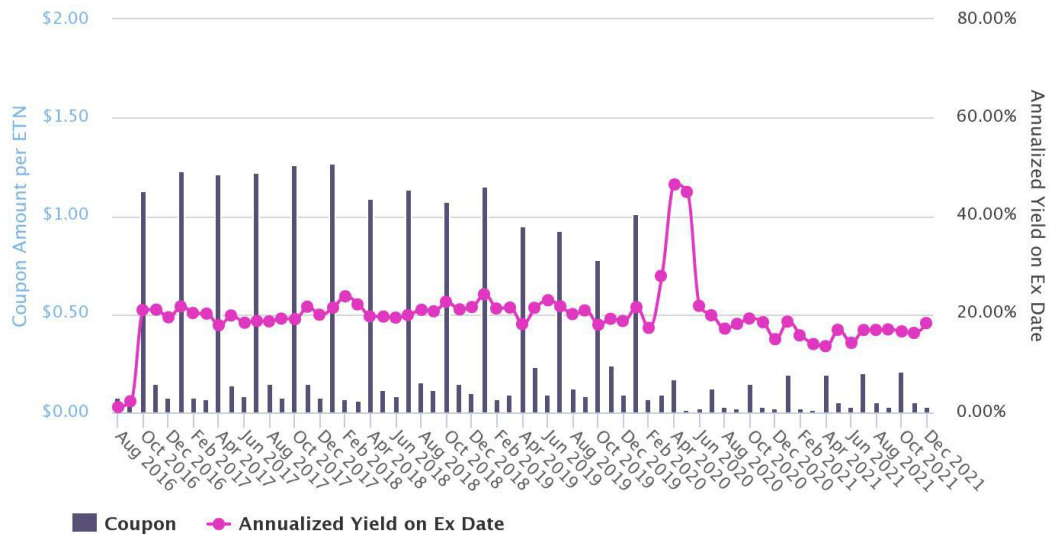
¹⁴ *Id.* at 27.

¹⁵ *Id.* at 13.

¹⁶ *Id.* at 12.

¹⁷ *X-Links Monthly Pay 2xLeveraged Mortgage REIT ETN*, CREDIT SUISSE (last accessed May 18, 2023), <https://notes.credit-suisse.com/Show/Details/REML>. On this graph, Annualized Yield on Ex Date refers to:

the sum of the three most recent months’ coupons up to and including each Ex Date, multiplied by four (to annual such coupons), divided by the Closing Indicative Value of the ETN on such Ex Date, and rounded to two decimal places for ease of analysis. The Annualized Yield on Ex Date is not indicative of future coupons, if any, on the ETN. The



23. Credit Suisse warned against certain types of investors purchasing REML shares, specifically stating certain risks which may cause the ETNs to not be a suitable investment. Credit Suisse disclosed several factors which would cause the investment to not be suitable for an investor, including the following:
- a. “You are not willing to accept the risk that you may lose some or all of your investment”;¹⁸
 - b. “You do not understand (i) leveraged risk, including the risks inherent in being exposed to two times leverage on a monthly basis, and (ii) the consequences of seeking monthly compounded leveraged investment results generally, and you do not intend to actively monitor and manage your investment”;¹⁹
 - c. “You do not have sufficient knowledge and experience to evaluate how the ETNs may perform under different conditions or the merits and risks of an investment in the ETNs”;²⁰
 - d. “You are not willing to hold securities that may be redeemed early by us pursuant to our Call Right”;²¹

Annualized Yield on Ex Date only takes into consideration the three most recent months’ coupons for each Ex Date, and is not indicative of what the actual annual yield may be. *Id.*

¹⁸ *Id.* at 30.

¹⁹ *Id.* at 31.

²⁰ *Id.*

²¹ *Id.*

- e. “You are not willing to accept the risk that the price at which you are able to sell the ETNs may be significantly less than the amount you invested”;²² and
- f. “You do not have sufficient financial resources and liquidity to bear the risks of an investment in the ETNs, including the risk of loss of your entire investment.”²³

October 2017 to October 2019: the Chadwick & D’Amato Fund and REML

- 24. Chadwick largely had discretion to make trades in his clients’ accounts. Discretion, in this context, means Chadwick’s clients granted him permission to make investment decisions and execute trades in their accounts without requiring Chadwick to obtain their explicit consent for each transaction made in their account.
- 25. Of Chadwick and D’Amato’s investment-advisory clients, Chadwick purchased REML in at least 139 client accounts across at least 99 clients.
- 26. Prior to 2019, most of Chadwick’s clients had most of their assets invested in an SEC-registered mutual fund known as “The Chadwick & D’Amato Fund” (the “**Fund**”). Chadwick was the Lead Manager of the Fund.
- 27. Though most clients had their assets in the Fund up until it closed in 2019, Chadwick first purchased REML in some client accounts in October of 2017.
- 28. From approximately October 11, 2017 to October 28, 2019, Chadwick made 72 purchases of REML in his clients’ accounts, amounting to 295,650 shares of REML across 43 clients’ accounts. In that two-year span, there were only four sales of REML, together amounting to 7,000 shares of REML across the accounts of five clients, where one was jointly owned by two clients.
- 29. As such, Chadwick’s representations about REML can be traced back to as early as 2018 and contain gross inconsistencies. In July of 2018, Chadwick told Investor RD that REML was “[h]igh risk, high reward[], which is why I am only recommending a small allocation.”²⁴
- 30. In January of 2019, Chadwick told Investor JB that “the goal is to keep things simple[], purchase REML for income” Of course, Credit Suisse clearly warns that REML should not be purchased for investors who require periodic or routine income from their accounts due to the volatility associated with distributions.

²² *Id.*

²³ *Id.*

²⁴ This, and the following quotes, are sourced from communications between Chadwick and his clients or from a sworn, on-the-record statement between Chadwick and the Bureau.

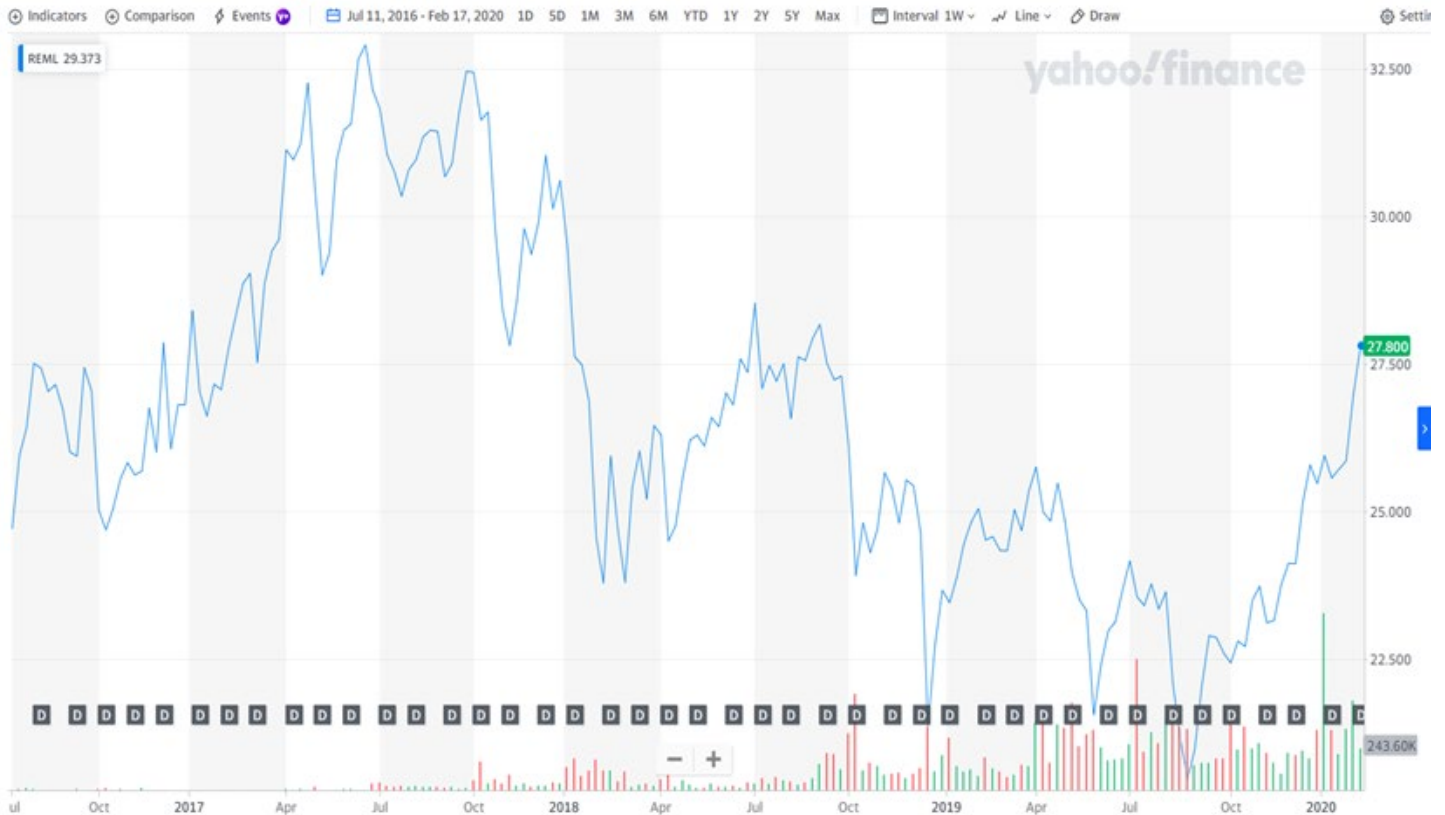
31. In April of 2019, Chadwick told Investor AJ that Chadwick’s “goal for [that] year [was] to phase into REML and then hedge against this position and the overall market. **REML owns thousands of properties all over the world[], so diversification is not an issue.**” (Emphasis added.) Here, Chadwick clearly conflated appropriate individual account diversification with the diversification of the ETNs backing a specific product, in this case REML. Chadwick also did so while starkly misrepresenting the product by claiming that REML somehow “owned thousands of properties all over the world.” As noted above, REML owns no properties; rather REML is an unsecured, synthetic debt security—i.e., not made of any actual real estate or mortgages—which only *tracked* an index relative to mortgages.
32. Less than a year after the July 2018 communication to RD, in March of 2019, Chadwick told Investor JZ “I recommend we shift nearly all of your portfolio into your real estate trusts[], some of which you already own (REM). Specifically, I want to use REML and then use REM as the risk constraint tool.” This directly conflicts with his previous statement to investor RD above that Chadwick would only recommend REML in small allocations.

October 2019 to February 2020: Chadwick Continues to Over Allocate REML in Client Accounts

33. In the fall of 2019, Chadwick & D’Amato announced that the Fund would be closing. Subsequently, as the Fund wound down, most client assets were moved to money market funds from approximately late October 2019 to early January 2020.
34. From January 8, 2020 to February 24, 2020, Chadwick made 82 purchases of REML in his clients’ accounts, totaling a staggering 412,700 shares across accounts of approximately 63 clients. No sales of REML occurred in any client account during this period.
35. An analysis of REML’s indicative value in the several years before it was called shows significant pricing volatility and fluctuation. The following chart illustrates the volatility from July 11, 2016 to February 17, 2020:

Credit Suisse X-Links Monthly Pay 2xLeveraged Mortgage REIT ETN (REML) ☆

NYSEArca - NYSEArca Delayed Price. Currency in USD
6.78 -0.02 (-0.29%) 6.75 -0.05 (-0.74%)
At close: 03:59PM EST After hours: 04:20PM EST



36. Between September 2017 and February 2020, REML’s trading price at close fluctuated between \$33.40 per share on June 26, 2017 and \$20.20 per share on September 3, 2019. On February 28, 2020, REML closed at \$21.88 per share.
37. On February 25, 2020, Chadwick told Investor AJ that “any significant decline in REML is a buying opportunity for increasing income.” In so doing, Chadwick not only minimized the risks associated with REML and tried to assuage Investor AJ by claiming that “significant” decreases in REML were somehow good, but also doubled down on the belief that REML could be suitable for investors who required fixed or periodic income, despite Credit Suisse warning otherwise.
38. On February 29, 2020, Chadwick told Investor RB:

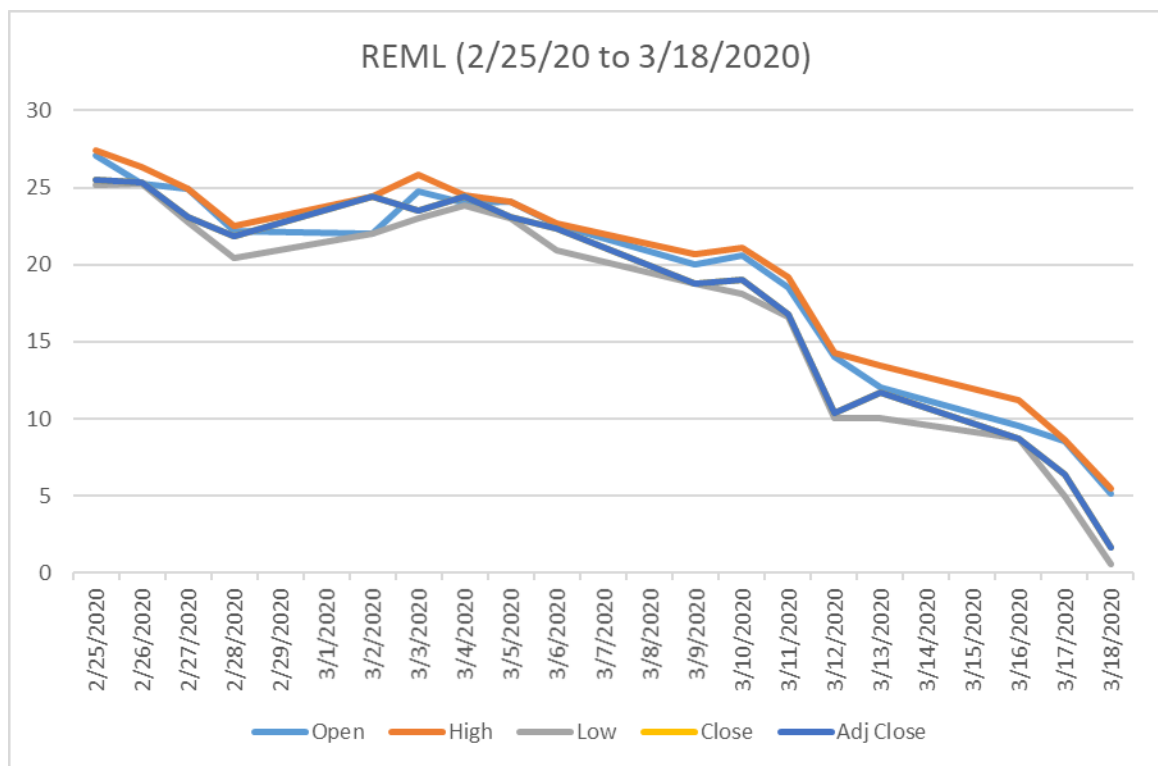
It is the volatility of REML that gives strength to this strategy[], you need periods of lower prices in order to add shares and increase income at a better value. This is why I was asking for more capital at our last meeting. I have been expecting REML to go down[], it just decided to go up some first. . . . The key issue here is that the income will continue regardless of the market movements. I still recommend we have more capital available to purchase more shares if REML gets into the teens.

In February of 2020, RB held 5,000 shares of REML in his individual account and 4,500 shares of REML in his joint account with MM; as such, REML made up

approximately 79% of the total value of all RB’s accounts held with Chadwick—and Chadwick still encouraged RB to purchase *more*. Similar to Chadwick’s communication with Investor AJ above, Chadwick also ignored clear warnings made by Credit Suisse that REML was not suitable for those who require fixed or periodic income.

March 2020: REML’s Value Crashes

39. Starting in at least early March 2020, REML’s price per share drastically, but steadily, fell in value, reaching its lowest value—just \$0.52 per share—on March 18, 2020. The decline from the mid-twenty-dollar range to nearly zero can be tracked in the following chart:



40. On March 17, 2020, Chadwick told Investor FJ that Chadwick was “concerned [Credit Suisse] will call the notes[], but we are trapped and should not sell in the event of a recovery.”
41. The next day, on March 18, 2020, Chadwick told Investor JFB that Chadwick “knew this market event would occur[], but the speed and ferocity was more than [he] prepared for.”
42. In a separate March 18, 2020 email to Investor AJ, Chadwick stated “I am sorry for the REML fiasco[], hard to believe a bank would issue an instrument that can go from \$17 to \$1 in a week. There is nothing about the structure of the note that would allow me to believe that was an even remote outcome.” Chadwick echoed

the same sentiment on the same day, telling Investor RB (and MB) that he “want[ed] to apologize to both of you for the REML fiasco. I am not sure why a bank would issue an instrument that can decline to nearly zero in a week.” Of course, as a factual matter, Credit Suisse very clearly warned of the risk of REML rapidly declining to zero due to the product’s structure in the product’s prospectus and pricing supplement.

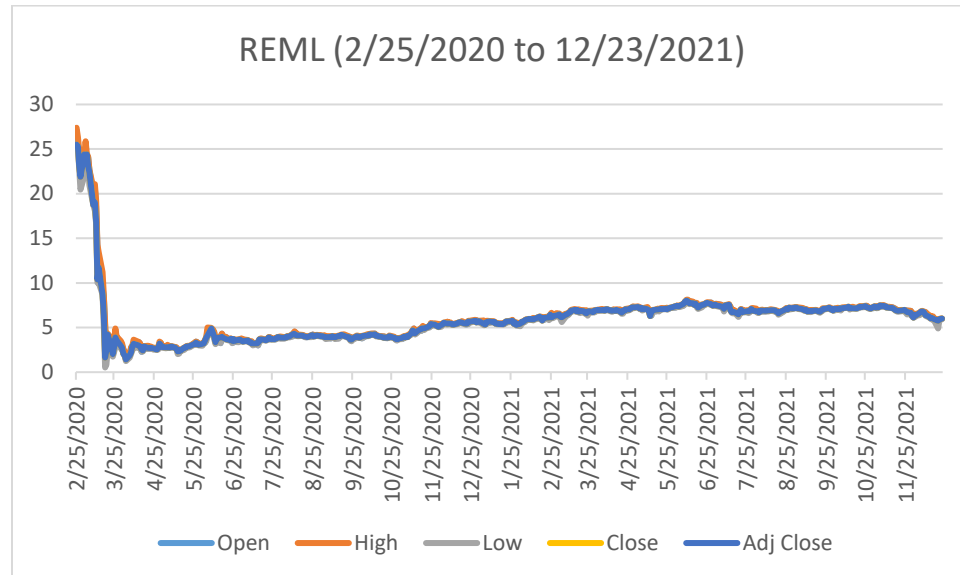
43. Among Chadwick’s clients who held REML, the average concentration across all accounts immediately prior to REML’s crash and before Chadwick sold his client’s shares of REML en masse was approximately 50.29%. At least five former clients had an aggregated concentration of REML exceeding 80% of the total value of all their accounts managed by Chadwick.
44. On March 18, 2020,²⁵ Chadwick made approximately 111 individual sales of REML in client accounts, totaling approximately 580,600 shares sold across 82 client accounts. The March 18, 2020 sales also represented the first sale of REML in any client account since October 28, 2019. In fact, since Chadwick first started purchasing REML in client accounts on October 11, 2017, Chadwick only made four sales of REML constituting merely 7,000 shares. In comparison, during that same time period, Chadwick purchased approximately 708,350 shares of REML in client accounts.
45. Following multiple sales of REML in client accounts, Chadwick also bluntly admitted to the overallocation and misuse of REML in written messages to clients. On March 20, 2020, Chadwick told Investor FJ “[a]nd to your point[], over-allocation was an issue. This was one of the most important aspects of my job and I made an exception” Quite clearly, Chadwick acknowledged that product allocation is a critical duty and responsibility of an investment adviser; instead, he went against appropriate practices in an affront to one of the most important parts of his job.
46. A day later, on March 21, Chadwick told Investor CM that “[Chadwick’s] mistake was allocating too much to REML[], we should have started with a smaller allocation and phased more in over time. Especially since both of you never pressure[ed] me with investment timelines.” Chadwick purchased far too much of a high-risk product in the accounts of clients who could not bear such a risk.
47. However, over the next few days, Chadwick’s perception on REML shifted. He sent out a written memorandum on March 24, 2020 advising all clients to either reacquire or, if he had not sold their shares on March 18, to continue to hold REML. He boldly declared that “the risk of not owning [REML] has become greater than remaining liquidated.”

²⁵ While the crash of REML’s price per share and Chadwick’s prolific sale of REML occurred on March 18, 2020, sales executed on March 18, 2020 settled in clients’ accounts on March 20, 2020.

48. Consistent with the March 24, 2020 memo, over the next several weeks, Chadwick aggressively campaigned to buy back REML in his clients' accounts. To assuage clients, Chadwick told them that "the circumstances have improved dramatically since last week" and "REML is coming back." In fact, he told at least one client that "[t]he circumstances regarding REML have improved dramatically . . . [p]lease consider a larger potential allocation to REML."
49. Chadwick's statements pleading for clients to buy back into REML were starkly fallacious and unmoored from the reality of the product. Credit Suisse published nothing whatsoever that indicated the situation surrounding REML had "improved dramatically," nor did Credit Suisse revise the nature of REML or change the clear warnings in the prospectus regarding risk of loss, allocation, and the proper usage of REML. Regardless, as the months passed by, Chadwick continued to assure clients that REML was still an excellent choice to continue to hold, and Chadwick continued to convince clients that he expected REML to make a full recovery, without any apparent indication from Credit Suisse that such a recovery was likely.
50. From approximately March 27, 2020 to January 11, 2021, Chadwick made approximately 130 separate REML purchases in client accounts, totaling around 599,166 shares of REML across approximately 84 client accounts. During this time, Chadwick also made four sales of REML in four different client accounts, totaling 23,750 shares. Also during this time, three clients transferred their holdings, including most of their shares of REML, to other platforms and out of Chadwick's management.
51. From approximately January 25, 2021 to November 5, 2021, Chadwick made five sales of REML in five different client accounts, amounting to 35,000 shares of REML. During that same time, two other clients transferred their holdings and respective shares of REML out of Chadwick's management.
52. All the while, Chadwick continued to discuss his prognosis of REML recovery. On September 11 of 2020, Chadwick told Investor LM that Chadwick "would be (VERY) surprised if REML doesn't fully recover at some point." Later, in March of 2021, he told Investor KS that he "expect[ed] REML to make a full recovery"
53. On December 10, 2021, Credit Suisse announced that it was exercising its right to call REML before its maturity date. On December 13, 2021, Chadwick, after learning REML was being called, wrote to a client "[i]n a bizarre (can things get more bizarre?) move[], Credit Suisse is calling the REML notes. I already sold on Fri, as I don't have any confidence in the final call values later this month. Now that REML is gone, I plan to move ahead with the post REML strategy." With this client, and many others, the "post-REML strategy" consisted of a multitude of cryptocurrency-related transactions, options trading, and even offering one

affected client a consulting job with pay for one of Chadwick’s other businesses to offset REML losses.

- 54. No additional purchases or sales of REML occurred in Chadwick’s clients’ accounts from November 5 to around December 12, 2021. On December 14, 2021, approximately 85 separate sales of REML executed by Chadwick settled in client accounts, totaling about 469,600 shares of REML across the accounts of approximately 70 clients.
- 55. Credit Suisse exercised its right to call REML on December 22, 2021. Contrary to predictions Chadwick shared with his clients, REML never approached a full recovery from the major losses it sustained in March 2020. Anyone still holding shares of REML on December 22, 2021 would receive \$5.98 per share. Only one Investor held REML shares up until the call date. REML ceased trading that day and settled on December 27, 2021. The following chart illustrates the value of REML from February 2020 until it was called in December 2021:



- 56. As of January 1, 2022, Chadwick no longer holds active securities licenses in any jurisdiction.

Investigatory and Procedural Background

- 57. On September 21, 2021, Chadwick was questioned under oath and asked about his collective purchases and sales of REML in his clients’ accounts:
 - a. When asked about how he determined what risk a client could tolerate, Chadwick stated that a client’s risk tolerance is “the level appropriate in order to achieve the income that [they] were trying to achieve.” This approach goes against the common understanding that a client’s risk

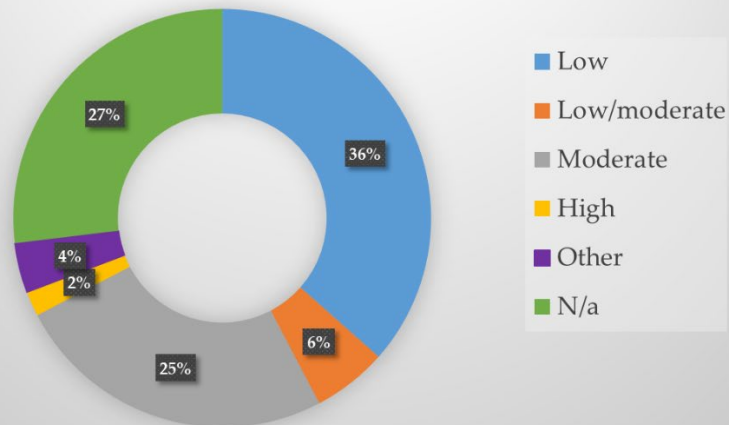
tolerance is what determines how much income can be generated and what products can be used to generate it.²⁶ Rather than determining a client's risk based off their age, overall investment objectives, sophistication, or other relevant factors, Chadwick instead dictated a client's risk level based on how much income a client desired—a direct inversion of standard practices. In Chadwick's case, the more income a client wanted, the higher the risk a client could tolerate, regardless of the client's age, investment ideology, objectives, etc.

- b. When asked if “REML had gone to zero, did you have some clients who would be unable to bear that loss,” Chadwick simply answered “[y]es.”
 - c. When asked whether he was aware that the prospectus stated an investor should not hold REML if “[y]ou do not have sufficient financial resources and liquidity to bear the risks of an investment in the ETN, including the risk of loss of your entire investment[,]” Chadwick answered “[y]es.” When asked that, “despite the provision being in [the prospectus], you still put REML in client accounts who couldn't bear the risk[,]” Chadwick answered “[y]es.”
58. The Bureau, alongside the Vermont Securities Division, sent a survey to Chadwick & D'Amato's former clients, and received 52 surveys back. The survey consisted of 12 questions, some of which were multi-part, that included a mix of closed-ended questions (such as “yes” or “no” or “low risk,” “moderate risk,” or “high risk”) and open-ended questions regarding each client's investment goals and their investment-advisory relationship with Chadwick.
59. The first question of the survey asked clients “[h]ow would you describe your investment risk tolerance? Please circle one and explain your choice.” To the right of the question, there were three options: a. low risk, b. moderate risk, and c. high risk. The chart below depicts the responses received by the Bureau:²⁷

²⁶ See Roger Wohlner, “Tips for Assessing Client's Risk Tolerance,” Investopedia (May 19, 2015), available at <https://www.investopedia.com/articles/financial-advisors/051915/tips-assessing-clients-risk-tolerance.asp> (last accessed May 16, 2023).

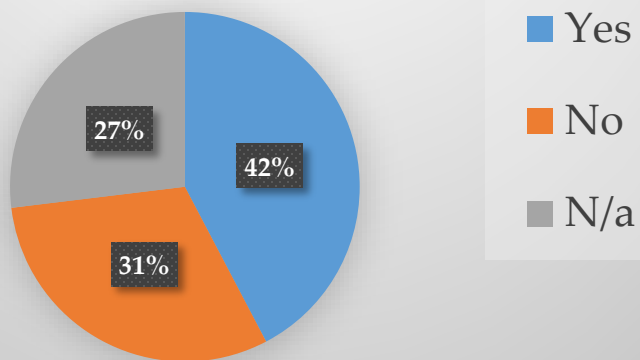
²⁷ “N/a” in this graph and the following graphs denotes that the client did not answer the question in their returned survey.

How would you describe your investment risk tolerance?

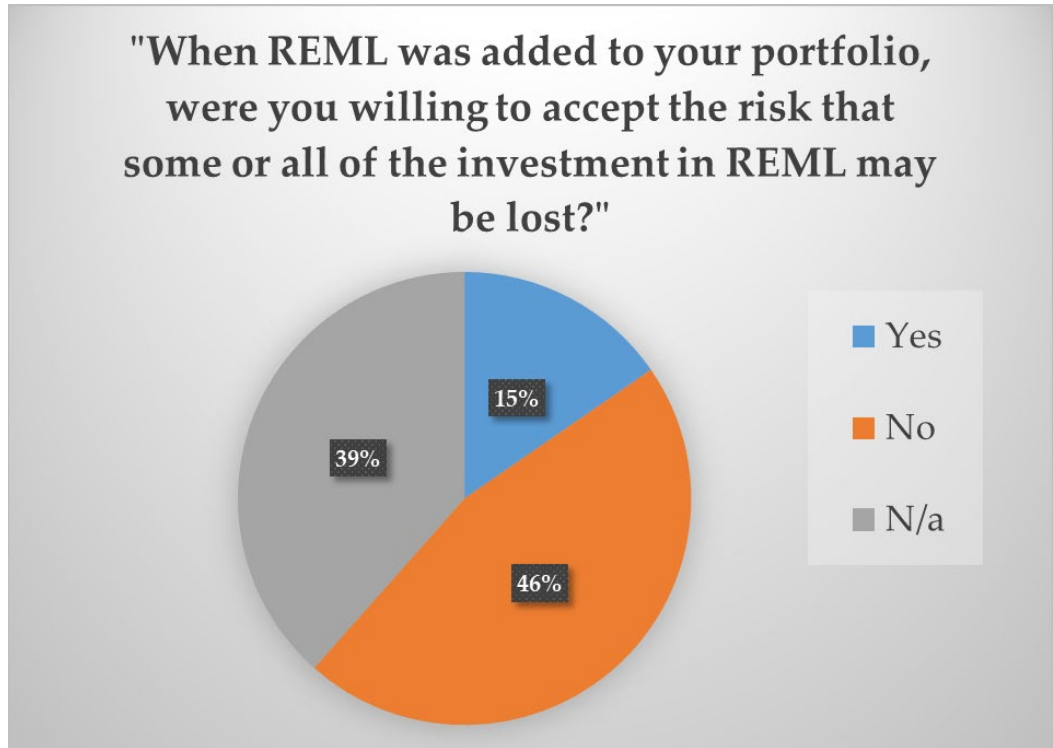


60. The fourth question of the survey asked clients “[a]s part of our investment goals, did you want your investment portfolio to distribute a certain amount of income? Please explain.” To the right of the question were two options: “yes” and “no” with a space below the question if the client wished to add an explanation. The chart below depicts the responses received by the Bureau:

"As part of your investment goals, did you want your investment portfolio to distribute a certain amount of income?"

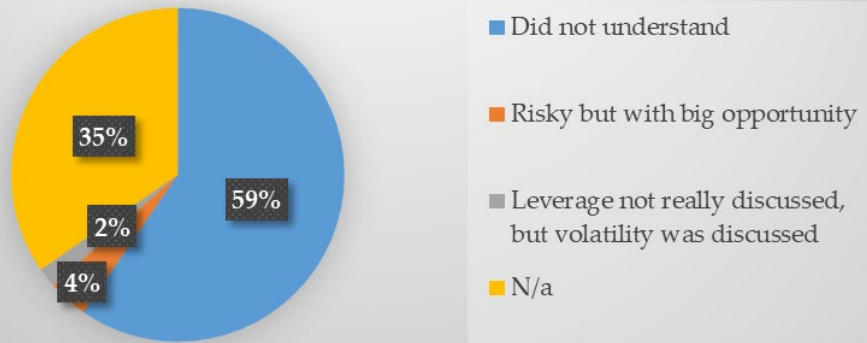


61. The sixth question of the survey asked clients “[w]hen REML was added to your portfolio, were you willing and able to accept the risk that some or all of the investment in REML may be lost?” To the right of the question were two options: “yes” and “no.” The chart below depicts the responses received by the Bureau:



62. The seventh question of the survey asked clients “[b]efore March 2020, what did you understand about the risks of the ‘leverage’ that was a feature of the REML investment? If you don’t know what ‘leverage’ is, please note as such.” This was an open-ended question, which provided empty space below the question to write in a response. The chart below depicts the responses received by the Bureau:

"Before March 2020, what did you understand about the risks of the 'leverage' that was a feature fo the REML Investment?"



63. Only 2 percent of the clients who responded indicated that their tolerance for risk was high enough that a product like REML could have even been considered in the first place. At least 42 percent of the responses indicated that income was needed for their portfolios—when Credit Suisse warned REML was not appropriate for customers who required fixed or periodic income from their accounts. Further, just 15 percent of people who responded were willing to accept REML’s prospectus’ forewarned risk of loss, and only 4 percent indicated they understood the risks associated with a leveraged product like REML. The survey results made one thing clear: clients largely had no idea how risky REML was.

64. In addition to the surveys, the Bureau conducted interviews with dozens of Chadwick’s former clients. As part of those communications, the Bureau inquired about what, if anything, Chadwick told them about REML before investing their funds. For some clients, the Bureau’s survey and interview was the first time they heard about REML or learned that their Chadwick-managed funds were invested into the product. Most responses the Bureau received largely conveyed that Chadwick indicated REML was a low- to moderate-risk investment with excellent opportunities to generate income, and that significant concentrations in REML were appropriate for his largely older, conservative-to-moderate-risk-tolerance client base. The following quotes are from either recorded interviews or written communications to the Bureau:
 - a. Investors PB and JFB wrote that Chadwick told them there was ““market[-]based risk”” associated with REML, but that “Plan B” presented to them in place of REML was to invest in ““master limited partnerships - real estate investment trust[s]” - with ‘heavy exposure to the market.’” They

also explained that Chadwick told them REML would be used to generate income.

- b. Investor RB wrote that Chadwick invested over \$300,000.00 of his money “before discussing it with us.” (Emphasis in original.) RB then wrote that “[w]hen [he] questioned this, Tom explained . . . he had switched us to REML to generate dividend income The extent of his description of REML was that it was managed by a very solid international bank He said it would pay regular, reliable dividends.” (Emphasis in original.) As to risk specifically, RB wrote that “Tom would say that all investment involved risk, but he stressed many times from 2017-2020 the strength and stability of Credit Suisse. He said many times not to focus on share value—it would fluctuate—but the dividends would be reliable.”
- c. Investors RM and PM wrote “[Chadwick] said there were some risks, but it would be a big money maker,” and that he did not offer alternatives to investing in REML.
- d. Investors LM and MM wrote in a joint survey, that “[Chadwick] introduced a strategy to invest in REML, which he explained to us as being a real estate investment trust with great potential for gain and little downside because real estate only appreciates.” Additionally, LM wrote Chadwick indicated that risks of REML were “[f]ew, due to the size of the rental market.”
- e. Investors RP and AE wrote in a joint survey that Chadwick told them REML “was considered a moderate risk, but with the market at that time, [it] was an investment that was relatively low risk.” They went on to state that “[REML] was his answer to improve our returns.”
- f. Investors CS and PS wrote that Chadwick “discussed in broad terms a real estate investment” but that leverage or “high risk[s]” were not specifically discussed.
- g. Investor JEB stated “[w]hat I remember clearly is . . . [REML] wasn’t presented to us as high risk.”

Overall REML Losses

- 65. As part of the Bureau’s investigation and upon learning of the scope, size, and severity of the losses related to REML, the Bureau retained an accounting firm to conduct a formal analysis across All Client Accounts in which Chadwick purchased REML. The analysis looked at each and every client statement, month-to-month, from January 2019 through April 2022, taking into account aggregate account values for individuals and families, total concentrations in REML, days

REML was consecutively held in accounts, dividend payments, total losses net of dividends, and whether a client transferred their accounts out of Chadwick's management.

66. As already referenced, the analysis uncovered that, of the clients he put in REML, Chadwick allocated over half of the total market value of assets under his management in the product, with some clients having aggregate concentrations close to—or over—90 percent. Additionally, Chadwick allowed clients to hold REML in their accounts for long periods of time. Chadwick permitted clients to hold shares of REML in their account for an average of over 386 days. 98.92% of REML shares were held in client accounts longer than 50 days, 69.89% of REML shares were held longer than 100 days, 62.01% of REML shares were held longer than 200 days, and 52.69% of REML shares were held longer than 365 days. No shares of REML were bought and sold in one day; rather, the single shortest hold period for shares of REML was 17 days. In comparison, the longest hold period for shares of REML was 978 days.
67. In the aggregate, the total value of client assets that Chadwick lost on REML was a staggering \$11,108,725.09.²⁸
68. As a result of these losses, investors were thrown into precarious and fragile financial positions. Elderly retirees bagged groceries to make ends meet. Grandparents were unable to purchase holiday presents for their families. One investor has nightmares related to REML losses, while another investor must take anxiety medication to manage their panic attacks induced by the large financial loss. Some investors had to indefinitely delay their retirements and others are worried the losses will impact their future ability to live in assisted living homes. Chadwick's actions with REML in his clients' accounts caused devastating and life-altering consequences.

III. ALLEGATIONS AND STATEMENTS OF LAW

The staff of the Bureau hereby petitions the Director and makes the following statements of law under The New Hampshire Securities Act, New Hampshire Revised Statutes Annotated 421-B and the regulations and laws thereunder:

69. The Bureau repeats the allegations contained in the paragraphs above and below as if fully stated herein.
70. Chadwick and Chadwick & D'Amato are "persons" within the meaning of N.H. RSA 421-B:1-102(39).
71. Pursuant to N.H. RSA 421-B:1-102(26), "investment adviser"

²⁸ See Exhibit 1.

means a person that, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as a part of a regular business, issues or promulgates analyses or reports concerning securities.

Chadwick and Chadwick & D'Amato are investment advisers within the meaning of this definition.

72. Pursuant to N.H. RSA 421-B:1-102(27):

“Investment adviser representative” means an individual employed by or associated with an investment adviser or federal covered investment adviser and who makes any recommendations or otherwise gives investment advice regarding securities, manages accounts or portfolios of clients, determines which recommendation or advice regarding securities should be given, provides investment advice or holds herself or himself out as providing investment advice, receives compensation to solicit, offer, or negotiate for the sale of or for selling investment advice, or supervises employees who perform any of the foregoing.

Chadwick is an investment adviser representative of Chadwick & D'Amato under this definition.

Investment Adviser Fraud

73. Pursuant to N.H. RSA 421-B:5-502(a)(2):

It is unlawful for any person that advises others for compensation, either directly or indirectly or through publications or writings, as to the value of securities or the advisability of investing in, purchasing, or selling securities or that, for compensation and as part of a regular business, issues or promulgates analyses or reports relating to securities... (2) to engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

Pertinently, the law does not require that investment advisers have scienter or derive a personal benefit in order to be held liable, nor do the intentions of the investment adviser factor into whether a violation has occurred. Respondents violated this provision.

Customer Specific Suitability

74. Pursuant to N.H. RSA 421-B:5-502(b)(2)(A):

[a] person who is an investment adviser or investment adviser representative is a fiduciary and has a duty to act primarily for the benefit of the person's clients. While the extent and nature of this duty varies according to the nature of the relationship between an investment adviser and the clients and the circumstances of each case, an investment adviser or investment adviser representative shall not engage in unethical business practices which constitutes violations of subsection (a), including the following: (A) Recommending to a client to whom investment supervisory, management, or consulting services are provided the purchase, sale, or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's

investment objectives, financial situation and needs, and any other information known by the investment adviser or investment adviser representative.

Respondents violated this provision.

75. N.H. RSA 421-B:5-502(b)(2)(A) makes it unlawful for an investment adviser or investment adviser representative to recommend an unsuitable purchase, sale, or exchange of a security after reasonably inquiring into their client's investment objectives, financial situation, and other relevant information. For nearly every client holding REML, Chadwick and Chadwick & D'Amato violated this suitability requirement by failing to consider each individual clients' risk tolerances, objectives, financial needs, and other situations. A large subset of Chadwick's clients were hard-working retirees with conservative to moderate risk tolerances and modest, regular retirement or other periodic, income-centered investment objectives. Rather than conducting proper due diligence and acting as a fiduciary as required by the law, Chadwick invested client funds—frequently in high concentrations—into REML: a high-risk, double-leveraged, synthetic ETN with warnings against purchasing in accounts of clients who required periodic or fixed income and against purchasing more REML than what an investor could tolerate to lose.
76. To be specific, Chadwick and Chadwick & D'Amato violated customer specific suitability under N.H. RSA 421-B:5-502(b)(2)(A)—and therefore further committed investment adviser fraud—for each of the following investors:
 - a. **Investors JT & AM.** REML was unsuitable for JT and AM because REML did not further their investment goal of modest growth in their respective portfolios, nor did it comport with their conservative-to-moderate risk tolerance. It was unsuitable for Chadwick to have recommended REML to JT and AM, and it was unsuitable that Chadwick purchased REML in their accounts to such a degree that it constituted, at highest, 53.71% of their total value of the accounts held by Chadwick and allowed for JT and AM to hold those shares for, at minimum, 66 days and, at maximum, 607 days.
 - b. **Investors BM & MEM.** REML was unsuitable for BM and MEM because REML did not correspond to their specific investment situation. It was unsuitable for Chadwick to have recommended REML to BM and MEM, and it was unsuitable that Chadwick purchased REML in their accounts to such a degree that it constituted, at highest, 63.73% of the total value of the account managed by Chadwick and allowed BM and MEM to hold shares for, at minimum, 66 days and, at maximum, 612 days.
 - c. **Investor JEM.** REML was unsuitable for JEM because REML did not further his investment goal of generating income to pay down college debt nor did it comport with his moderate risk tolerance. It was unsuitable for Chadwick to have recommended REML to JEM, and it was unsuitable that

Chadwick purchased REML in his account to such a degree that it constituted, at highest, 82.23% of the total value of the account managed by Chadwick and allowed JEM to hold shares for, at minimum, 447 days and, at maximum, 770 days.

- d. **Investor RM.** REML was unsuitable for RM because REML did not comport with his low risk tolerance. It was unsuitable for Chadwick to have recommended REML to RM, and it was unsuitable that Chadwick purchased REML in his account to such a degree that it constituted, at highest, 50.80% of the total value of the account managed by Chadwick and allowed RM to hold shares for, at minimum, 607 days and, at maximum, 742 days.
- e. **Investors JM & DM.** REML was unsuitable for JM and DM because REML did not fit their retirement needs nor did it comport with their conservative risk tolerance. It was unsuitable for Chadwick to have recommended REML to JM and DM, and it was unsuitable that Chadwick purchased REML in their accounts to such a degree that it constituted, at highest, 57.38% of the total value of accounts managed by Chadwick and allowed JM and DM to hold shares for, at minimum, 66 days and, at maximum, 607 days.
- f. **Investors LM & MM.** REML was unsuitable for LM and MM because REML did not fit their retirement needs nor did it comport with their conservative risk tolerance. It was unsuitable for Chadwick to have recommended REML to LM and MM, and it was unsuitable that Chadwick purchased REML in their accounts to such a degree that it constituted, at highest, 71.59% of the total value of accounts managed by Chadwick and allowed LM and MM to hold shares for, at minimum, 66 days and, at maximum, 607 days.
- g. **Investor RP.** REML was unsuitable for RP because REML did not fit with RP's goal for retirement or to minimize losses nor did it comport with RP's moderate risk tolerance. It was unsuitable for Chadwick to have recommended REML to RP, and it was unsuitable that Chadwick purchased REML in his account to such a degree that it constituted, at highest, 30.28% of the total value of the account managed by Chadwick and allowed RP to hold shares for around 416 days.
- h. **Investor CR.** REML was unsuitable for CR because REML did not further her goal to plan for retirement or to make sure her child, who has special needs, was provided for. REML similarly did not comport with CR's conservative risk tolerance. It was unsuitable for Chadwick to have

recommended REML to CR, and it was unsuitable that Chadwick purchased REML in her account to such a degree that it constituted, at highest, 68.35% of the total value of the account managed by Chadwick and allowed CR to hold shares for, at minimum, 162 days and, at maximum, 569 days.

- i. **Investor RS.** REML was unsuitable for RS because Chadwick purchased REML in his accounts to such a degree that it constituted, at highest, 14.40% of the total value of the accounts managed by Chadwick and allowed RS to hold shares for, at minimum, 66 days and, at maximum, 607 days.
- j. **Investors JVS & FB.** REML was unsuitable for JVS and FB because REML did not correspond with their retirement goals, nor did it comport with their low risk tolerance or desire for a diversified portfolio. It was unsuitable for Chadwick to have recommended REML to JVS and FB, and it was unsuitable that Chadwick purchased REML in their accounts to such a degree that it constituted, at highest, 42.34% of the total value of the accounts managed by Chadwick and allowed JVS and FB to hold shares for, at minimum, 36 days and, at maximum (before they transferred their shares out of Chadwick's control) 72 days.
- k. **Investors JS & MLS.** REML was unsuitable for JS and MLS because REML did not fit with their goal to save for retirement, nor did it comport with their moderate risk tolerance. It was unsuitable for Chadwick to have recommended REML to JS and MLS, and it was unsuitable that Chadwick purchased REML in their accounts to such a degree that it constituted, at highest, 31.05% of the total value of the accounts managed by Chadwick and allowed JS and MLS to hold shares for, at minimum, 66 days and, at maximum, 607 days.
- l. **Investor PS.** REML was unsuitable for PS because REML did not fit with his goals for retirement, nor did it comport with his conservative risk tolerance. It was unsuitable for Chadwick to have recommended REML to PS, and it was unsuitable that Chadwick purchased REML in his account to such a degree that it constituted, at highest, 24.27% of the total value of the account managed by Chadwick and allowed PS to hold shares for, at minimum, 66 days and, at maximum, 599 days.
- m. **Investor ZS.** REML was unsuitable for ZS because it did not fit with her investment goal to have money to live on after she retired, nor did it comport with her conservative risk tolerance. It was unsuitable for

Chadwick to have recommended REML to ZS, and it was unsuitable that Chadwick purchased REML in her accounts to such a degree that it constituted, at highest, 53.15% of the total value of the accounts managed by Chadwick and allowed ZS to hold shares for 66 days.

- n. **Investors CT & RT.** REML was unsuitable for JS and MLS because REML did not fit with their goal to save for retirement or their active use of their accounts for fixed income distributions, nor did it comport with their moderate to low risk tolerance. It was unsuitable for Chadwick to have recommended REML to CT and RT, and it was unsuitable that Chadwick purchased REML in their accounts to such a degree that it constituted, at highest, 77.15% of the total value of the accounts managed by Chadwick and allowed JS and MLS to hold shares for, at minimum, 66 days and, at maximum, 607 days.

- o. **Investor PW.** REML was unsuitable for PW because REML did not fit with her goal of saving for retirement, nor did REML comport with her moderate risk tolerance or risk appropriate for her age. It was unsuitable for Chadwick to have recommended REML to PW, and it was unsuitable that Chadwick purchased REML in her accounts to such a degree that it constituted, at highest, 53.15% of the total value of the accounts managed by Chadwick and allowed PW to hold shares for, at minimum, 66 days and, at maximum, 607 days.

- p. **Investor PMW.** REML was unsuitable for PMW because REML did not fit with her moderate to conservative risk tolerance. It was unsuitable for Chadwick to have recommended REML to PMW, and it was unsuitable that Chadwick purchased REML in her accounts to such a degree that it constituted, at highest, 45.01% of the total value of the accounts managed by Chadwick and allowed PMW to hold shares for, at minimum, 66 days and, at maximum, 607 days.

- q. **Investor RMW.** REML was unsuitable for RMW because she required income from her account to be able to pay for her stay at an assisted living facility, where she is receiving treatment for mid- to late-stage Alzheimer's. REML similarly did not comport with her safe or cautious investment approach. It was unsuitable for Chadwick to have recommended REML to RMW, and it was unsuitable that Chadwick purchased REML in her accounts to such a degree that it constituted, at highest, 43.07% of the total value of the accounts managed by Chadwick and allowed RMW to hold shares for, at minimum, 66 days and, at maximum, 252 days.

- r. **Investor DW.** REML was unsuitable for DW because it did not fit with his goal of reducing debt or planning for retirement, nor did it comport with his moderate risk tolerance. It was unsuitable for Chadwick to have recommended REML to DW, and it was unsuitable that Chadwick purchased REML in his account to such a degree that it constituted, at highest, 27.84% of the total value of the account managed by Chadwick and allowed DW to hold shares for, at minimum, 66 days and, at maximum, 599 days.

- s. **Investor RW.** REML was unsuitable for RW because it did not fit with his conservative risk tolerance. It was unsuitable for Chadwick to have recommended REML to RW, and it was unsuitable that Chadwick purchased REML in his account to such a degree that it constituted, at highest, 55.34% of the total value of the account managed by Chadwick and allowed RW to hold shares for, at minimum, 66 days and, at maximum, 607 days.

- t. **Investors RA & EA.** REML was unsuitable for RA and EA because REML did not further their investment goal of improving the amount of money in their investment account in a conservative manner through reasonably safe and secure investments. It was unsuitable for Chadwick to have recommended REML to RA and EA, and it was unsuitable to purchase REML in their accounts to such a degree that, at its peak, REML constituted 64.38% of their total account value, and to hold those shares in RA and EA's account for, at minimum, 72 days and, at maximum, 978 days.

- u. **Investor GB.** REML was unsuitable for GB because Chadwick purchased REML in his account to such a degree that, at its peak, REML constituted 86.13% of GB's total value of the accounts managed by Chadwick. It was additionally unsuitable to allow for GB to hold REML for, at minimum, 67 days and, at maximum, 596 days.

- v. **Investors JFB & PB.** REML was unsuitable for JFB and PB because it did not fit with their investment goals as conservative investors who were not interested in any risk investment. It was unsuitable for Chadwick to have recommended REML to JFB and PB, and it was unsuitable that Chadwick purchased REML in their accounts to such a degree that it constituted, at highest, 76.35% of the total value of the accounts managed by Chadwick. Additionally, it was unsuitable that Chadwick allowed JFB and PB to hold these REML shares for, at minimum, 161 days and, at maximum, 344 days.

- w. **Investors RB & MB.** REML was unsuitable for RB and MB because it did not fit their retirement needs, monthly income distribution requirements, or their low risk tolerance. It was unsuitable for Chadwick to have recommended REML to RB and MB, and it was unsuitable that Chadwick purchased REML in their accounts to such a degree that it constituted, at its peak, 79.08% of the total value of accounts managed by Chadwick and allowed RB and MB to hold shares for, at minimum, 271 days and, at maximum, 891 days.

- x. **Investors WB & JB.** REML was unsuitable for WB and JB because REML did not correspond with WB and JB's conservative risk tolerance and reliance on regular, fixed income distributions from their accounts managed by Chadwick during their retirement. It was unsuitable for Chadwick to have recommended REML to WB and JB, and it was unsuitable that Chadwick purchased REML in their accounts to such a degree that it constituted, at its aggregated peak, 46.04% of the total value of all their accounts managed by Chadwick. It was additionally unsuitable to allow for WB and JB to hold REML for, at minimum, 70 days and, at maximum, 608 days.

- y. **Investors JPB & JEB.** REML was unsuitable for JPB and JEB because it fit neither their moderate risk tolerance nor their goal of preparing for retirement. It was unsuitable for Chadwick to have recommended REML to JPB and JEB, and it was unsuitable that Chadwick purchased REML in their accounts to such a degree that it constituted, at its peak, 49.52% of the total value of the accounts managed by Chadwick. It was additionally unsuitable to allow for JPB and JEB to hold REML for, at minimum, 70 days and, at maximum, 599 days.

- z. **Investors JC & DC.** REML was unsuitable for JC and DC because REML did not comport with their moderate risk tolerance. It was unsuitable for Chadwick to have recommended REML to JC and DC, and it was unsuitable that Chadwick purchased REML in their accounts to such a degree that it constituted, at its aggregated peak, 47.41% of the total value of accounts managed by Chadwick. It was additionally unsuitable to allow for JC and DC to hold REML for, at minimum, 70 days and, at maximum, 608 days.

- aa. **Investor MC.** REML was unsuitable for MC because REML did not fit her retirement needs, nor did it comport with her conservative risk tolerance and avoidance of high-risk investments. It was unsuitable for Chadwick to have recommended REML to MC, and it was unsuitable that Chadwick purchased REML in their accounts to such a degree that it

constituted, at its aggregated peak, 45.75% of the total value of accounts managed by Chadwick. It was additionally unsuitable to allow for MC to hold REML for, at minimum, 67 days and, at maximum, 599 days.

- bb. **Investor IF.** REML was unsuitable for IF because Chadwick purchased REML in her accounts to such a degree that it constituted, at highest, 80.52% of the total account value of the account managed by Chadwick. It was additionally unsuitable to allow for IF to hold REML for, at minimum, 527 days and, at maximum, 607 days.
- cc. **Investors SG & RG.** REML was unsuitable for SG and RG because it opposed their retirement needs, moderate risk tolerance, and aversion to high-risk investments. It was unsuitable for Chadwick to have recommended REML to SG and RG, and it was unsuitable that Chadwick purchased REML in their accounts to such a degree that it constituted, at its aggregated peak, 79.35% of the total account value of the account managed by Chadwick. It was additionally unsuitable to allow for SG and RG to hold REML for, at minimum, 60 days and, at maximum, 746 days.
- dd. **Investor SBG.** REML was unsuitable for SBG because REML did not correspond to SBG's retirement needs, nor did it comport with her moderate risk tolerance. It was unsuitable for Chadwick to have recommended REML to SBG, and it was unsuitable that Chadwick purchased REML in her account to such a degree that it constituted, at its peak, 53.35% of the total account value of the account managed by Chadwick. It was additionally unsuitable to allow for SBG to hold REML for, at minimum, 67 days and, at maximum, 607 days.
- ee. **Investor BG.** REML was unsuitable for BG because REML did not further BG's goals of planning for his child's college funds, future retirement plans, long-term needs for his family, and future care of aging parents. Further, REML did not comply with BG's moderate risk tolerance. It was unsuitable for Chadwick to have recommended REML to BG, and it was unsuitable that Chadwick purchased REML in his account to such a degree that it constituted, at its peak, 32.38% of the total account value of the account managed by Chadwick. It was additionally unsuitable to allow for BG to hold REML for, at minimum, 66 days and, at maximum, 607 days.
- ff. **Investor AH.** REML was unsuitable for AH because REML did not correspond with his retirement goals or progressively conservative risk tolerance. It was unsuitable for Chadwick to have recommended REML to

AH, and it was unsuitable that Chadwick purchased REML in his account to such a degree that it constituted, at its peak, 80.10% of the total account value of the account managed by Chadwick. It was additionally unsuitable to allow for AH to hold REML for, at minimum, 161 days and, at maximum, 607 days.

- gg. **Investors EJ & FJ.** REML was unsuitable for EJ and FJ because Chadwick purchased REML in their account to such a degree that it constituted, at its aggregated peak, 41.57% of the total account value of the account managed by Chadwick. It was additionally unsuitable to allow for EJ and FJ to hold REML for, at minimum, 66 days and, at maximum, 578 days.
- hh. **Investor AJ.** REML was unsuitable for AJ because REML did not correspond with his retirement needs and directly conflicted with AJ's inability to tolerate a complete loss of an investment. It was unsuitable for Chadwick to have recommended REML to AJ, and it was unsuitable that Chadwick purchased REML in their account to such a degree that it constituted, at its aggregated peak, 65.21% of the total account value of the accounts managed by Chadwick. It was additionally unsuitable to allow for AJ to hold REML for, at minimum, 67 days and, at maximum, 809 days.
- ii. **Investor EK.** REML was unsuitable for EK because Chadwick purchased REML in her account to such a degree that it constituted, at its peak, 47.71% of the total account value of the account managed by Chadwick. It was additionally unsuitable to allow for EK to hold REML for, at minimum, 66 days and, at maximum, 607 days.
- jj. **Investor BL.** REML was unsuitable for BL because it did not fit with her goal of funding her grandson's education and creating a cushion for her own retirement, nor did it comport with her goal of preserving her wealth. It was unsuitable for Chadwick to have recommended REML to BL, and it was unsuitable that Chadwick purchased REML in her account to such a degree that it constituted, at its peak, 92.26% of the total account value of the account managed by Chadwick. It was additionally unsuitable to allow for BL to hold REML for, at minimum, 344 days and, at maximum, 599 days.
- kk. **Investor MD.** REML was unsuitable for MD because it did not fit with her goal of saving for her son's college expenses and saving for her own retirement. REML additionally did not comport with MD's moderate risk

tolerance or her desire to avoid placing all her money in one basket—i.e., concentrating MD’s wealth in one investment. It was unsuitable for Chadwick to have recommended REML to MD, and it was unsuitable that Chadwick purchased REML in her account to such a degree that it constituted, at its peak, 83.17% of the total account value of the account managed by Chadwick. It was additionally unsuitable to allow for MD to hold REML for, at minimum, 133 days and, at maximum 161 days.

Reasonable Basis Suitability

77. Inherent in an investment adviser’s fiduciary duties and suitability requirements under N.H. RSA 421-B:5-502(b)(2)(A) is the concept of “reasonable basis suitability.” As a fiduciary, investment advisers and investment adviser representatives are required to act in the best interest of their clients: an investment adviser and/or investment adviser representative must have a “reasonable basis” to believe that an investment is suitable for a group of investors. The investment adviser and/or investment adviser representative must understand the investment itself, its risks and rewards, who it is appropriate for, and how it is properly traded. Without understanding an investment’s features, it is unsuitable for an investment adviser and/or investment adviser representative to recommend a product they themselves do not understand to a client. Advising a client to purchase, sell, or exchange a security the adviser and/or adviser representative does not understand is not acting within the client’s best interest, but *is* acting in violation of their fiduciary duties.
78. While reasonable basis suitability clearly is part of an investment adviser’s fiduciary duties, it has explicitly been recognized as part of an investment adviser’s fiduciary duty in other Securities and Exchange Commission cases²⁹ and in SEC guidance and publications, with guidance from March 2013 noting, “[a]n adviser must have a reasonable, independent basis for its recommendations.”³⁰
79. Respondents egregiously violated N.H. RSA 421-B:5-502(b)(2)(A), and therefore further committed investment adviser fraud, by breaching their fiduciary duties in All Client Accounts by failing to have a reasonable basis to recommend REML. Chadwick did not understand REML as a product, nor did he conduct due diligence, as required under New Hampshire securities law.
 - a. The prospectus for REML, in no uncertain terms, forewarned of the volatile and risky nature of the product. In it, Credit Suisse clearly warned that clients should not invest more than they could tolerate losing in REML if it suddenly lost its value. Chadwick testified that he read the prospectus. Chadwick also admitted that he invested more funds than what

²⁹ See U.S. Sec. & Exch. Comm’n, Div. of Inv. Mgmt., Regulation of Investment Advisers by the U.S. Securities and Exchange Commission (Mar. 2013) at 24-25, https://www.sec.gov/about/offices/oia/oia_investman/rplaze-042012.pdf (citing *In the Matter of Baskin Planning Consultants, Ltd.*, Investment Advisers Act Release No. 1297 (Dec. 19, 1991); *In the Matter of Alfred C. Rizzo*, Investment Advisers Act Release No. 897 (Jan 11, 1984)).

³⁰ *Id.*

his clients could tolerate to lose in REML. This fact alone demonstrates that Chadwick failed to understand the unique risks associated with REML and the fact that it could freefall at a moment's notice (exactly as it did).

- b. Credit Suisse also clearly warned that REML should not be purchased in the accounts of clients if they required fixed or periodic income payments because of the instability of potential dividend payments. Despite this, Chadwick primarily used the product as an income-generating solution for most of his clients who relied on stable or periodic income. Chadwick ignored the prospectus and its clear warnings on income to the detriment of his clients.
 - c. Further, by REML's very nature and setup, REML was not designed to be held for long periods of time due to monthly compounding fees and monthly pricing resets. Despite these product factors, Chadwick carelessly held shares of REML in his clients' accounts for, on average, over 386 days (where 98.29% of shares were held longer than 50 days and 52.69% of shares were held longer than one year).
80. Chadwick failed to consider REML's prospectuses and pricing supplements in recommending the product to his clients in contravention of his clients' income requirements. He further failed to consider REML's risks and the dire consequences of holding the product for prolonged periods of time in the accounts of his clients. In all instances, Chadwick and Chadwick & D'Amato failed to demonstrate a proper understanding of REML's features.
81. As a consequence of Respondents' failure to demonstrate proper understanding of the product's risks, he exposed, and over-exposed, his mostly older, conservative-to-moderate-risk tolerant clients to a volatile, extremely high-risk product that had the potential to plummet, as it did, instantly. Chadwick and Chadwick & D'Amato played a dangerous game by recklessly gambling with his clients' accounts—primarily to generate income for clients with a product wholly unsuitable for those taking periodic or fixed distributions because Chadwick could not properly manage his client's retirement expectations—and lost.
82. Chadwick and Chadwick & D'Amato accordingly had no basis to make a recommendation for the purchase, sale, or exchange of REML to any client, and therefore failed to have a reasonable basis to recommend REML. Each purchase of REML which Respondents had no reasonable basis to recommend is in violation of N.H. RSA 421-B:5-502(b)(2)(A), and Respondents therefore further committed investment adviser fraud.

Fiduciary Duty of Care

83. Beyond requirements to recommend suitable investment products, as set forth in N.H. RSA 421-B:5-502(b)(2), investment advisers and investment adviser representatives are responsible for fiduciary duties: the duty of care, the duty of loyalty, and the duty to act in the client's best interest instead of the investment adviser's best interest, among others.³¹ The duty of care is broader than the duty to recommend "suitable" investments. The duty of care includes the duty to conduct an inquiry into the client's objectives, goals, risk tolerances, experience, and sophistication.³² It requires that an investment adviser or investment adviser representative then use that information to act in the client's best interests.
84. Chadwick and Chadwick & D'Amato breached this duty of care, an inherent fiduciary duty, to All Client Accounts. Chadwick's clients had goals and objectives which required their investments to produce regular, fixed income distributions. By Chadwick's own admission, he acted contrary to the objective information in the prospectus warning against the use of REML in accounts of clients who required periodic or fixed income from their account and proceeded to utilize it as a tool for income in those same accounts. In so doing, Chadwick breached his duty of care. Further, many clients, again by Chadwick's own admission, could not bear losing their investments in REML. For these clients, Respondents failed to understand clients' appropriate risk tolerances and again breached their duty of care.
85. On a broader level, Chadwick fundamentally failed to understand the needs of his clients and failed to do the level of inquiry, research, and analysis necessary and required by law to be competent to make recommendations to his clients. This failure, and violation of law, to understand the most basic needs of his clients and the subsequent suitable products that could meet those needs resulted in catastrophic and life-altering consequences for Chadwick's clients; consequences which resulted from Chadwick's choice to flagrantly ignore REML's prospectus and liquidate over 11 million dollars of client funds in nearly a single day.

³¹ Securities and Exchange Commission, Release No. IA-5248, 17 CFR Part 276, pg. 7-8 (July 12, 2019), <https://www.sec.gov/rules/interp/2019/ia-5248.pdf>:

An investment adviser's fiduciary duty under the Advisers Act comprises a duty of care and a duty of loyalty. This fiduciary duty requires an adviser "to adopt the principal's goals, objectives, or ends." This means the adviser must, at all times, serve the best interest of its client and not subordinate its client's interest to its own... This combination of care and loyalty obligations has been characterized as requiring the investment adviser to act in the "best interest" of its client at all times. In our view, an investment adviser's obligation to act in the best interest of its client is an overarching principle that encompasses both the duty of care and the duty of loyalty. (Internal citations omitted).

³² *Id.* at 13.

86. Respondents therefore violated their fiduciary duties in contravention of N.H. RSA 421-B:5-502(b)(2), and therefore further committed investment adviser fraud across All Client Accounts.

Legal Authority

88. Pursuant to N.H. RSA 421-B:6-604(a)(1), whenever it appears to the secretary of state that any person has engaged in any “act, practice, or course of business constituting a violation of this chapter or an order issued under this chapter,” he shall have the power to issue and cause to be served upon such person an order requiring the person to cease and desist from violations of this chapter. Respondents are subject to this provision.
89. Pursuant to N.H. RSA 421-B:6-604(d),

[i]n a final order, the secretary of state may impose a civil penalty up to a maximum of \$2,500 for a single violation. In addition, every such person who is subject to such civil penalty, 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 be barred from registration or licensure, including the forfeiture of any application fee.

Chadwick and Chadwick & D’Amato are subject to this provision and should be fined at an amount to be determined by the hearing officer for each and every violation of law. Additionally, Respondents should be barred permanently from future securities licensure for the conduct described herein.

90. Pursuant to N.H. RSA 421-B:6-604(e), “[a]fter notice and hearing, the secretary of state may enter an order of rescission, restitution, or disgorgement directed to a person who has violated” certain provisions of N.H. RSA 421-B. Chadwick and Chadwick & D’Amato are subject to this provision and should be ordered to pay restitution to be determined for any and all losses incurred as a result of Chadwick’s unlawful and fraudulent conduct described herein and in the amount of \$11,108,725.09, plus statutory interest.
91. Pursuant to N.H. RSA 421-B:6-604(g), in any investigation to determine whether any person has violated or is about to violate this title or any rule or order under this title, upon the secretary of state’s prevailing at hearing, or the person charged with the violation being found in default, or pursuant to a consent order issued by the secretary of state, the secretary of state shall be entitled to recover the costs of the investigation, and any related proceedings, including reasonable attorneys’ fees, in addition to any other penalty provided for under this chapter. Respondents are subject to this provision and should be ordered to pay costs as determined by the hearing officer.

IV.

RELIEF REQUESTED

The Bureau makes the following requests for relief in the above-referenced matter as authorized by N.H. RSA 421-B:

1. Find as fact the statements contained in the Statement of Facts.
2. Make conclusions of law relative to the statements contained in the Allegations and Statements of Law.
3. Pursuant to N.H. RSA 421-B:6-604(d), bar Chadwick permanently from any securities licensure in New Hampshire.
4. Pursuant to N.H. RSA 421-B:6-604(d), fine Chadwick in an amount to be determined by the hearing officer.
6. Pursuant to N.H. RSA 421-B:6-604(e), order Chadwick to pay restitution for any losses incurred in the amount of \$11,108,725.09 plus statutory interest.
7. Pursuant to N.H. RSA 6-604(g), order Chadwick to pay the Bureau's costs of investigation and enforcement to be determined by the hearing officer.
8. Grant such further relief as is determined just, equitable, and authorized by N.H. RSA 421-B.

V.

RIGHT TO AMEND

The Bureau reserves the right to amend this Staff Petition for Relief and request the Director take additional administrative action. Nothing herein shall preclude the Staff from bringing additional enforcement action under this N.H. RSA 421-B or the regulations.

Respectfully submitted by:



Brian Linares, Senior Staff Attorney

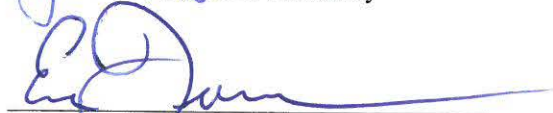
6/21/23
Date


Kathryn Taylor, Staff Attorney

6/21/23
Date


Jennifer Coté, Staff Attorney

6/21/23
Date


Eric Forcier, Deputy Secretary

6/21/23
Date

EXHIBIT 1

Account Number Investor Name

	Investor DM REVOCABLE TR	Gain/(Loss)	(\$250,790.18)
		Dividends	\$11,681.00
		Account Total	(\$239,109.18)
	Investor DM	Gain/(Loss)	\$17,770.33
		Dividends	\$7,563.50
		Account Total	\$25,333.83
	Investor JM	Gain/(Loss)	(\$195,628.67)
		Dividends	\$34,371.50
		Account Total	(\$161,257.17)
Group Gain (Loss)			(\$428,648.52)
Group Dividends			\$53,616.00
Group Total			(\$375,032.52)

	Investor JVS TRADITIONAL IRA - FIDELITY MANAGEMENT TRUST CO - CUSTODIAN	Gain/(Loss)	(\$257,608.35)
		Dividends	\$12,035.00
		Account Total	(\$245,573.35)
	Investor FB ROLLOVER IRA - FIDELITY MANAGEMENT TRUST CO - CUSTODIAN	Gain/(Loss)	(\$233,709.62)
		Dividends	\$12,035.00
		Account Total	(\$221,674.62)
Group Gain (Loss)			(\$491,317.97)
Group Dividends			\$24,070.00
Group Total			(\$467,247.97)

	Investor ZS TRADITIONAL IRA - FIDELITY MANAGEMENT TRUST CO - CUSTODIAN	Gain/(Loss)	(\$126,686.07)
		Dividends	\$5,840.50
		Account Total	(\$120,845.57)
	Investor ZS REVOCABLE TRU/A 04/19/99 TRUSTEE	Gain/(Loss)	(\$126,600.07)
		Dividends	\$5,840.50
		Account Total	(\$120,759.57)
Group Gain (Loss)			(\$253,286.14)

Group Dividends	\$11,681.00
Group Total	(\$241,605.14)

Investor JL	Gain/(Loss)	(\$42,971.76)
	Dividends	\$5,361.60
	Account Total	(\$37,610.16)
Investor KL	Gain/(Loss)	(\$42,999.96)
	Dividends	\$5,361.60
	Account Total	(\$37,638.36)
Group Gain (Loss)	(\$85,971.72)	
Group Dividends	\$10,723.20	
Group Total	(\$75,248.52)	

Investor AN	Gain/(Loss)	-
	Dividends	\$8,940.00
	Account Total	\$8,940.00
Investor AN	Gain/(Loss)	\$50,540.69
	Dividends	-
	Account Total	\$50,540.69
Investor AN REV TR	Gain/(Loss)	(\$251,908.18)
	Dividends	\$11,681.00
	Account Total	(\$240,227.18)
Investor AN IRREV TRUST	Gain/(Loss)	(\$119,900.20)
	Dividends	\$10,467.00
	Account Total	(\$109,433.20)
Investor AN IRREVOCABLE TRUST DTD 10/09/1998 TTEE	Gain/(Loss)	\$24,788.00
	Dividends	-
	Account Total	\$24,788.00
Group Gain (Loss)	(\$296,479.69)	
Group Dividends	\$31,088.00	
Group Total	(\$265,391.69)	

Investor EK	Gain/(Loss)	(\$107,664.61)
	Dividends	\$13,404.00
	Account Total	(\$94,260.61)
Group Gain (Loss)	(\$107,664.61)	
Group Dividends	\$13,404.00	
Group Total	(\$94,260.61)	

Investor RT	Gain/(Loss)	(\$39,870.73)
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		Dividends	\$6,874.30
		Account Total	(\$32,996.43)
	Investor CT	Gain/(Loss)	(\$39,844.63)
		Dividends	\$6,874.30
		Account Total	(\$32,970.33)
	Investors RT & CT	Gain/(Loss)	(\$64,216.38)
	REVTR	Dividends	\$25,650.17
		Account Total	(\$38,566.21)
Group Gain (Loss)			(\$143,931.74)
Group Dividends			\$39,398.77
Group Total			(\$104,532.97)

	Investor MLM	Gain/(Loss)	(\$214,874.50)
	TRUST	Dividends	\$26,808.00
		Account Total	(\$188,066.50)
	Investor MLM	Gain/(Loss)	(\$43,038.31)
		Dividends	\$5,361.60
		Account Total	(\$37,676.71)
Group Gain (Loss)			(\$257,912.81)
Group Dividends			\$32,169.60
Group Total			(\$225,743.21)

	Investor JS	Gain/(Loss)	\$35,649.67
		Dividends	\$15,127.00
		Account Total	\$50,776.67
	Investor MLS	Gain/(Loss)	\$19,692.83
		Dividends	\$7,563.50
		Account Total	\$27,256.33
	Investors JS & MLS	Gain/(Loss)	(\$601,121.25)
	REV TR	Dividends	\$57,222.50
		Account Total	(\$543,898.75)
	Investor MLS	Gain/(Loss)	\$35,472.67
		Dividends	\$15,127.00
		Account Total	\$50,599.67
Group Gain (Loss)			(\$510,306.08)
Group Dividends			\$95,040.00
Group Total			(\$415,266.08)

	Investor RM	Gain/(Loss)	(\$41,880.21)
		Dividends	\$23,028.97
		Account Total	(\$18,851.24)
Group Gain (Loss)			(\$41,880.21)
Group Dividends			\$23,028.97
Group Total			(\$18,851.24)

	Investor LM	Gain/(Loss)	(\$42,830.11)
		Dividends	\$5,361.60
		Account Total	(\$37,468.51)
	Investor MM	Gain/(Loss)	(\$214,781.51)
		Dividends	\$26,808.00
		Account Total	(\$187,973.51)
Group Gain (Loss)			(\$257,611.62)
Group Dividends			\$32,169.60
Group Total			(\$225,442.02)

	FOR THE BENEFIT OF Investor ECW - SIMPLE IRA- FIDELITY MANAGEMENT TRUST COMPANY CUSTODIAN ESTABLISHED 03/11/08	Gain/(Loss)	(\$106,699.74)
		Dividends	\$13,404.00
		Account Total	(\$93,295.74)
	Investor ELW - ROTH INDIVIDUAL RETIREMENT ACCOUNT - FMTCCUSTODIAN	Gain/(Loss)	(\$42,688.10)
		Dividends	\$5,361.60
		Account Total	(\$37,326.50)
	Investor ELW - TRADITIONAL IRA - FIDELITY MANAGEMENT TRUST CO - CUSTODIAN	Gain/(Loss)	(\$42,671.30)
		Dividends	\$5,361.60
		Account Total	(\$37,309.70)
	Investors ECW & ELW REV TRU	Gain/(Loss)	(\$126,361.07)
		Dividends	\$5,840.50
		Account Total	(\$120,520.57)
Group Gain (Loss)			(\$318,420.21)
Group Dividends			\$29,967.70
Group Total			(\$288,452.51)

Investor JT	Gain/(Loss)	(\$108,894.74)
	Dividends	\$13,404.00
	Account Total	(\$95,490.74)
Investor AM	Gain/(Loss)	(\$214,518.36)
	Dividends	\$26,808.00
	Account Total	(\$187,710.36)
Group Gain (Loss)		(\$323,413.10)
Group Dividends		\$40,212.00
Group Total		(\$283,201.10)

Investors WB and JB	Gain/(Loss)	(\$46,931.60)
	Dividends	\$2,336.20
	Account Total	(\$44,595.40)
Investor WB	Gain/(Loss)	(\$24,501.82)
	Dividends	\$6,290.25
	Account Total	(\$18,211.57)
Investor JB	Gain/(Loss)	(\$35,945.05)
	Dividends	\$6,874.30
	Account Total	(\$29,070.75)
Group Gain (Loss)		(\$107,378.47)
Group Dividends		\$15,500.75
Group Total		(\$91,877.72)

Investor RP	Gain/(Loss)	-
	Dividends	\$1,945.70
	Account Total	\$1,945.70
Investor RP	Gain/(Loss)	(\$19,813.10)
	Dividends	\$19.70
	Account Total	(\$19,793.40)
Group Gain (Loss)		(\$19,813.10)
Group Dividends		\$1,965.40
Group Total		(\$17,847.70)

Investor GLB REVOCABLETRUST	Gain/(Loss)	(\$280,484.96)
	Dividends	\$69,980.50
	Account Total	(\$210,504.46)
Group Gain (Loss)		(\$280,484.96)
Group Dividends		\$69,980.50
Group Total		(\$210,504.46)

[REDACTED]	Investor RL	Gain/(Loss)	(\$88,820.49)
		Dividends	\$19,841.40
		Account Total	(\$68,979.09)
[REDACTED]	Investor PL	Gain/(Loss)	(\$22,017.97)
		Dividends	\$2,907.00
		Account Total	(\$19,110.97)
Group Gain (Loss)			(\$110,838.46)
Group Dividends			\$22,748.40
Group Total			(\$88,090.06)

[REDACTED]	Investor PMW	Gain/(Loss)	(\$65,489.09)
		Dividends	\$8,042.40
		Account Total	(\$57,446.69)
Group Gain (Loss)			(\$65,489.09)
Group Dividends			\$8,042.40
Group Total			(\$57,446.69)

[REDACTED]	Investor IF	Gain/(Loss)	(\$105,405.66)
		Dividends	\$44,234.93
		Account Total	(\$61,170.73)
Group Gain (Loss)			(\$105,405.66)
Group Dividends			\$44,234.93
Group Total			(\$61,170.73)

[REDACTED]	Investors JPB and JEB	Gain/(Loss)	(\$99,541.90)
		Dividends	\$13,404.00
		Account Total	(\$86,137.90)
Group Gain (Loss)			(\$99,541.90)
Group Dividends			\$13,404.00
Group Total			(\$86,137.90)

[REDACTED]	Investor GP	Gain/(Loss)	(\$197,123.31)
		Dividends	\$62,257.00
		Account Total	(\$134,866.31)
[REDACTED]	Investor GP and LP REV TRU	Gain/(Loss)	(\$53,613.40)
		Dividends	\$22,619.07
		Account Total	(\$30,994.33)
Group Gain (Loss)			(\$250,736.71)
Group Dividends			\$84,876.07

Group Total

(\$165,860.64)

Investor CR	Gain/(Loss)	(\$479,426.13)
	Dividends	\$103,926.50
	Account Total	(\$375,499.63)
Investor CR	Gain/(Loss)	\$96,336.96
	Dividends	-
	Account Total	\$96,336.96
Group Gain (Loss)		(\$383,089.17)
Group Dividends		\$103,926.50
Group Total		(\$279,162.67)

Investor AT	Gain/(Loss)	(\$210,851.86)
	Dividends	\$81,854.43
	Account Total	(\$128,997.43)
Investor RET	Gain/(Loss)	(\$108,554.69)
	Dividends	\$31,052.00
	Account Total	(\$77,502.69)
Group Gain (Loss)		(\$319,406.55)
Group Dividends		\$112,906.43
Group Total		(\$206,500.12)

Investor JR	Gain/(Loss)	(\$42,965.66)
	Dividends	\$5,361.60
	Account Total	(\$37,604.06)
Group Gain (Loss)		(\$42,965.66)
Group Dividends		\$5,361.60
Group Total		(\$37,604.06)

Investor NH LIVING TR 2003	Gain/(Loss)	(\$205,578.70)
	Dividends	\$26,808.00
	Account Total	(\$178,770.70)
Investor JFBK LIVING TR 2003	Gain/(Loss)	(\$202,896.77)
	Dividends	\$26,808.00
	Account Total	(\$176,088.77)
Group Gain (Loss)		(\$408,475.47)
Group Dividends		\$53,616.00
Group Total		(\$354,859.47)

Investor YH	Gain/(Loss)	(\$41,239.35)
	Dividends	\$5,361.60
	Account Total	(\$35,877.75)

Group Gain (Loss)	(\$41,239.35)
Group Dividends	\$5,361.60
Group Total	(\$35,877.75)

Investor EC	Gain/(Loss)	(\$17,481.24)
	Dividends	\$9,315.65
	Account Total	(\$8,165.59)
Investor EC 2007 T	Gain/(Loss)	(\$162,380.27)
	Dividends	\$53,998.77
	Account Total	(\$108,381.50)
Group Gain (Loss)	(\$179,861.51)	
Group Dividends	\$63,314.42	
Group Total	(\$116,547.09)	

Investor MP	Gain/(Loss)	\$18,047.43
	Dividends	\$7,563.50
	Account Total	\$25,610.93
Investor MP REV TR 2014	Gain/(Loss)	(\$125,852.04)
	Dividends	\$5,840.50
	Account Total	(\$120,011.54)
Group Gain (Loss)	(\$107,804.61)	
Group Dividends	\$13,404.00	
Group Total	(\$94,400.61)	

Investor AJ	Gain/(Loss)	(\$18,276.81)
	Dividends	\$3,791.40
	Account Total	(\$14,485.41)
Investor AJ	Gain/(Loss)	(\$18,253.01)
	Dividends	\$3,791.40
	Account Total	(\$14,461.61)
Investor AJ	Gain/(Loss)	(\$328,150.45)
	Dividends	\$99,688.94
	Account Total	(\$228,461.51)
Group Gain (Loss)	(\$364,680.27)	
Group Dividends	\$107,271.74	
Group Total	(\$257,408.53)	

Investor PB - ROTHINDIVIDUAL RETIREMENT ACCOUNT - FMTCCUSTODIAN	Gain/(Loss)	(\$121,440.84)
	Dividends	\$12,532.85
	Account Total	(\$108,907.99)
Investor JFB - ROTHINDIVIDUAL RETIREMENT ACCOUNT - FMTCCUSTODIAN	Gain/(Loss)	(\$131,578.31)
	Dividends	\$14,811.55
	Account Total	(\$116,766.76)
Investors PB and JFB	Gain/(Loss)	(\$116,354.25)
	Dividends	\$23,488.50
	Account Total	(\$92,865.75)
Group Gain (Loss)		(\$369,373.40)
Group Dividends		\$50,832.90
Group Total		(\$318,540.50)

Investor MC	Gain/(Loss)	(\$2,288.25)
	Dividends	\$10,244.30
	Account Total	\$7,956.05
Investor MC	Gain/(Loss)	(\$119,804.20)
	Dividends	\$5,840.50
	Account Total	(\$113,963.70)
Group Gain (Loss)		(\$122,092.45)
Group Dividends		\$16,084.80
Group Total		(\$106,007.65)

Investor EWJ CHAR TRUST	Gain/(Loss)	(\$55,801.59)
	Dividends	\$11,374.20
	Account Total	(\$44,427.39)
Group Gain (Loss)		(\$55,801.59)
Group Dividends		\$11,374.20
Group Total		(\$44,427.39)

Investor RB	Gain/(Loss)	(\$142,592.36)
	Dividends	\$65,882.33
	Account Total	(\$76,710.03)

Investor RB and MB TRUST	Gain/(Loss)	(\$116,007.06)
	Dividends	\$70,875.89
	Account Total	(\$45,131.17)
Group Gain (Loss)		(\$258,599.42)
Group Dividends		\$136,758.22
Group Total		(\$121,841.20)

Investor PW	Gain/(Loss)	(\$65,507.84)
	Dividends	\$8,042.40
	Account Total	(\$57,465.44)
Investor PW	Gain/(Loss)	(\$43,732.30)
	Dividends	\$5,361.60
	Account Total	(\$38,370.70)
Investor PW	Gain/(Loss)	(\$109,234.74)
	Dividends	\$13,404.00
	Account Total	(\$95,830.74)
Group Gain (Loss)		(\$218,474.88)
Group Dividends		\$26,808.00
Group Total		(\$191,666.88)

Investor WR REV TRU.	Gain/(Loss)	(\$6,881.79)
	Dividends	\$9,553.50
	Account Total	\$2,671.71
Group Gain (Loss)		(\$6,881.79)
Group Dividends		\$9,553.50
Group Total		\$2,671.71

Investor CB	Gain/(Loss)	(\$28,549.44)
	Dividends	\$4,777.55
	Account Total	(\$23,771.89)
Investor CB	Gain/(Loss)	(\$199,915.77)
	Dividends	\$26,808.00
	Account Total	(\$173,107.77)
Group Gain (Loss)		(\$228,465.21)
Group Dividends		\$31,585.55
Group Total		(\$196,879.66)

Investor MD	Gain/(Loss)	(\$159,359.63)
	Dividends	\$19,786.40

	Account Total	(\$139,573.23)
Group Gain (Loss)		(\$159,359.63)
Group Dividends		\$19,786.40
Group Total		(\$139,573.23)

Investor EO	Gain/(Loss)	\$5,174.83
	Dividends	\$5,484.50
	Account Total	\$10,659.33
Investor JO	Gain/(Loss)	\$5,110.83
	Dividends	\$5,484.50
	Account Total	\$10,595.33
Group Gain (Loss)		\$10,285.66
Group Dividends		\$10,969.00
Group Total		\$21,254.66

Investor MW	Gain/(Loss)	(\$65,461.49)
	Dividends	\$8,042.40
	Account Total	(\$57,419.09)
Group Gain (Loss)		(\$65,461.49)
Group Dividends		\$8,042.40
Group Total		(\$57,419.09)

Investor WH	Gain/(Loss)	\$371.72
	Dividends	\$1,549.20
	Account Total	\$1,920.92
Group Gain (Loss)		\$371.72
Group Dividends		\$1,549.20
Group Total		\$1,920.92

Investor RMW	Gain/(Loss)	(\$253,842.13)
	Dividends	\$28,479.00
	Account Total	(\$225,363.13)
Investor RMW CHARLES SCHWAB & CO INC CUST IRA ROLLOVER	Gain/(Loss)	\$100,876.41
	Dividends	\$85.40
	Account Total	\$100,961.81
Investor RMW REV TRUST	Gain/(Loss)	(\$245,942.08)
	Dividends	\$22,914.50
	Account Total	(\$223,027.58)

Group Gain (Loss)	(\$398,907.80)
Group Dividends	\$51,478.90
Group Total	<u>(\$347,428.90)</u>

Investor BG	Gain/(Loss)	(\$61,871.02)
	Dividends	\$8,042.40
	Account Total	(\$53,828.62)

Group Gain (Loss)	(\$61,871.02)
Group Dividends	\$8,042.40
Group Total	<u>(\$53,828.62)</u>

Investor RW	Gain/(Loss)	(\$109,162.09)
	Dividends	\$13,404.00
	Account Total	(\$95,758.09)

Group Gain (Loss)	(\$109,162.09)
Group Dividends	\$13,404.00
Group Total	<u>(\$95,758.09)</u>

Investor BB	Gain/(Loss)	(\$70,241.89)
	Dividends	\$4,004.10
	Account Total	(\$66,237.79)

Investor BB	Gain/(Loss)	(\$46,672.41)
	Dividends	\$2,669.40
	Account Total	(\$44,003.01)

Investor BB	Gain/(Loss)	\$16,013.92
	Dividends	\$1,337.68
	Account Total	\$17,351.60

Group Gain (Loss)	(\$100,900.38)
Group Dividends	\$8,011.18
Group Total	<u>(\$92,889.20)</u>

Investor DW	Gain/(Loss)	(\$108,791.74)
	Dividends	\$13,404.00
	Account Total	(\$95,387.74)

Group Gain (Loss)	(\$108,791.74)
Group Dividends	\$13,404.00
Group Total	<u>(\$95,387.74)</u>

Investor PE	Gain/(Loss)	(\$20,484.58)
	Dividends	\$2,680.80
	Account Total	(\$17,803.78)

Investor PE	Gain/(Loss)	(\$20,514.78)
	Dividends	\$2,680.80

	Account Total	(\$17,833.98)
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Group Gain (Loss)		(\$40,999.36)
Group Dividends		\$5,361.60
Group Total		(\$35,637.76)

Investor EJ	Gain/(Loss)	(\$124,648.60)
	Dividends	\$5,840.50
	Account Total	(\$118,808.10)
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Investor FJ	Gain/(Loss)	(\$494,540.50)
	Dividends	\$55,224.00
	Account Total	(\$439,316.50)
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Investor FJ	Gain/(Loss)	\$109,772.24
	Dividends	-
	Account Total	\$109,772.24
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Investors FJ and EJ REV TRUST	Gain/(Loss)	(\$245,254.29)
	Dividends	\$11,681.00
	Account Total	(\$233,573.29)
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Group Gain (Loss)		(\$754,671.15)
Group Dividends		\$72,745.50
Group Total		(\$681,925.65)

Investor RG and SG	Gain/(Loss)	(\$34,790.55)
	Dividends	\$7,582.80
	Account Total	(\$27,207.75)
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Investor SG	Gain/(Loss)	(\$120,677.96)
	Dividends	\$64,290.12
	Account Total	(\$56,387.84)
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Group Gain (Loss)		(\$155,468.51)
Group Dividends		\$71,872.92
Group Total		(\$83,595.59)

Investor BD	Gain/(Loss)	(\$17,229.55)
	Dividends	\$5,917.56
	Account Total	(\$11,311.99)
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Group Gain (Loss)		(\$17,229.55)
Group Dividends		\$5,917.56
Group Total		(\$11,311.99)

Investor SBG	Gain/(Loss)	(\$207,000.03)
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	Dividends	\$40,926.40
	Account Total	(\$166,073.63)
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Group Gain (Loss)		(\$207,000.03)
Group Dividends		\$40,926.40
Group Total		(\$166,073.63)

Investor RHB	Gain/(Loss)	(\$157,860.33)
	Dividends	\$83,901.33
	Account Total	(\$73,959.00)
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Investors RHB and HB	Gain/(Loss)	(\$75,254.34)
	Dividends	\$26,354.30
	Account Total	(\$48,900.04)
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Investor HB	Gain/(Loss)	(\$158,931.87)
	Dividends	\$83,604.23
	Account Total	(\$75,327.64)
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Group Gain (Loss)		(\$392,046.54)
Group Dividends		\$193,859.86
Group Total		(\$198,186.68)

Investor LG	Gain/(Loss)	(\$20,719.98)
	Dividends	\$2,680.80
	Account Total	(\$18,039.18)
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Investor LG	Gain/(Loss)	(\$41,427.74)
	Dividends	\$5,361.60
	Account Total	(\$36,066.14)
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Group Gain (Loss)		(\$62,147.72)
Group Dividends		\$8,042.40
Group Total		(\$54,105.32)

Investor JEM	Gain/(Loss)	(\$40,362.26)
	Dividends	\$21,276.87
	Account Total	(\$19,085.39)
<hr/>		
Group Gain (Loss)		(\$40,362.26)
Group Dividends		\$21,276.87
Group Total		(\$19,085.39)

Investor KD	Gain/(Loss)	(\$197,547.54)
	Dividends	\$87,971.46
	Account Total	(\$109,576.08)
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Group Gain (Loss)		(\$197,547.54)
Group Dividends		\$87,971.46

Group Total

(\$109,576.08)

Investor AH	Gain/(Loss)	(\$63,159.38)
	Dividends	\$12,513.55
	Account Total	(\$50,645.83)
Group Gain (Loss)		(\$63,159.38)
Group Dividends		\$12,513.55
Group Total		(\$50,645.83)

Investor KA	Gain/(Loss)	(\$11,872.20)
	Dividends	\$1,457.21
	Account Total	(\$10,414.99)
Investor KA	Gain/(Loss)	(\$24,484.19)
	Dividends	\$1,817.52
	Account Total	(\$22,666.67)
Investors CA and KA	Gain/(Loss)	(\$7,536.43)
	Dividends	\$2,096.75
	Account Total	(\$5,439.68)
Group Gain (Loss)		(\$43,892.82)
Group Dividends		\$5,371.48
Group Total		(\$38,521.34)

Investor WE	Gain/(Loss)	(\$40,969.75)
	Dividends	\$5,361.60
	Account Total	(\$35,608.15)
Group Gain (Loss)		(\$40,969.75)
Group Dividends		\$5,361.60
Group Total		(\$35,608.15)

Investor RNB	Gain/(Loss)	(\$5,991.06)
	Dividends	\$804.24
	Account Total	(\$5,186.82)
Group Gain (Loss)		(\$5,991.06)
Group Dividends		\$804.24
Group Total		(\$5,186.82)

Investor JC	Gain/(Loss)	(\$20,269.39)
	Dividends	\$2,680.80
	Account Total	(\$17,588.59)
Investor JC	Gain/(Loss)	(\$49,118.81)
	Dividends	\$7,458.35
	Account Total	(\$41,660.46)

	Investor DC	Gain/(Loss)	(\$28,816.04)
		Dividends	\$4,777.55
		Account Total	(\$24,038.49)
Group Gain (Loss)			(\$98,204.24)
Group Dividends			\$14,916.70
Group Total			(\$83,287.54)

	Investor RS REVOCABLE TR	Gain/(Loss)	(\$755,789.37)
		Dividends	\$124,665.00
		Account Total	(\$631,124.37)
	Investor RS	Gain/(Loss)	\$114,101.02
		Dividends	\$45,381.00
		Account Total	\$159,482.02
Group Gain (Loss)			(\$641,688.35)
Group Dividends			\$170,046.00
Group Total			(\$471,642.35)

	Investor NC	Gain/(Loss)	(\$42,143.86)
		Dividends	\$10,234.85
		Account Total	(\$31,909.01)
	Investor MC	Gain/(Loss)	(\$58,527.08)
		Dividends	\$20,539.59
		Account Total	(\$37,987.49)
Group Gain (Loss)			(\$100,670.94)
Group Dividends			\$30,774.44
Group Total			(\$69,896.50)

	Investor DBS	Gain/(Loss)	(\$99,417.01)
		Dividends	\$13,404.00
		Account Total	(\$86,013.01)
	Investors DBS and CDB REV TR	Gain/(Loss)	(\$11,622.43)
		Dividends	\$584.05
		Account Total	(\$11,038.38)
	Investors DBS	Gain/(Loss)	(\$16,484.43)
		Dividends	\$4,193.50
		Account Total	(\$12,290.93)
	Investor CDB	Gain/(Loss)	(\$48,088.38)
		Dividends	\$7,458.35
		Account Total	(\$40,630.03)
	Investor CDB	Gain/(Loss)	(\$99,490.23)

		Dividends	\$13,404.00
		Account Total	(\$86,086.23)
	Investor DBJ	Gain/(Loss)	(\$5,988.66)
		Dividends	\$804.24
		Account Total	(\$5,184.42)
Group Gain (Loss)			(\$281,091.14)
Group Dividends			\$39,848.14
Group Total			(\$241,243.00)

	Investor HSB	Gain/(Loss)	(\$7,039.43)
		Dividends	\$468.72
		Account Total	(\$6,570.71)
	Investor HSB	Gain/(Loss)	\$766.77
		Dividends	-
		Account Total	\$766.77
	Investor DG	Gain/(Loss)	(\$211,213.32)
		Dividends	\$24,733.00
		Account Total	(\$186,480.32)
	Investor DG	Gain/(Loss)	\$12,150.00
		Dividends	-
		Account Total	\$12,150.00
	Investor DG - INDIVIDUAL TOD	Gain/(Loss)	\$10,332.96
		Dividends	\$4,890.96
		Account Total	\$15,223.92
	Investor DG - CUSTODIAN FOR - UTMA NH	Gain/(Loss)	\$328.06
		Dividends	\$149.50
		Account Total	\$477.56
	Investor DG - CUSTODIAN FOR - UTMA NH	Gain/(Loss)	\$328.06
		Dividends	\$149.50
		Account Total	\$477.56
	Investor DG - INDIVIDUAL TOD	Gain/(Loss)	\$108.26
		Dividends	\$1.13
		Account Total	\$109.39
	Investor DG - CUSTODIAN FOR	Gain/(Loss)	\$108.26
		Dividends	\$1.13
		Account Total	\$109.39

Group Gain (Loss)	(\$194,130.38)
Group Dividends	\$30,393.94
Group Total	(\$163,736.44)

Investors RA and EA - WITH RIGHTS OF SURVIVORSHIP TOD	Gain/(Loss)	(\$537,430.84)
	Dividends	\$154,363.00
	Account Total	(\$383,067.84)
Investor EA - TRADITIONAL IRA - FIDELITY MANAGEMENT TRUST CO - CUSTODIAN	Gain/(Loss)	(\$191,162.99)
	Dividends	\$26,808.00
	Account Total	(\$164,354.99)
Investor RA - ROLLOVER IRA- FIDELITY MANAGEMENT TRUST CO - CUSTODIAN	Gain/(Loss)	(\$422,699.86)
	Dividends	\$64,849.50
	Account Total	(\$357,850.36)
Group Gain (Loss)	(\$1,151,293.69)	
Group Dividends	\$246,020.50	
Group Total	(\$905,273.19)	

Investor PS	Gain/(Loss)	(\$216,494.47)
	Dividends	\$26,808.00
	Account Total	(\$189,686.47)
Group Gain (Loss)	(\$216,494.47)	
Group Dividends	\$26,808.00	
Group Total	(\$189,686.47)	

Investor CST	Gain/(Loss)	\$10,679.90
	Dividends	\$4,538.10
	Account Total	\$15,218.00
Group Gain (Loss)	\$10,679.90	
Group Dividends	\$4,538.10	
Group Total	\$15,218.00	

Investor BL REVOCABLE TRUST	Gain/(Loss)	(\$58,648.13)
	Dividends	\$18,304.60
	Account Total	(\$40,343.53)

Group Gain (Loss)	(\$58,648.13)
Group Dividends	\$18,304.60
Group Total	(\$40,343.53)

		Gain/(Loss)	(\$499,459.70)	
	Investors BM and MM	Dividends	\$107,458.50	
		Account Total	(\$392,001.20)	
Group Gain (Loss)			(\$499,459.70)	
Group Dividends			\$107,458.50	
Group Total				(\$392,001.20)

Total Gain (Loss) \$ (11,108,725.09)