

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

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)
) **No. COM.2018-0002**
)
Peter A. Bill)
Scanwood Limited Incorporated)
)
and)
)
AOS, Inc.)
)
)
Respondents)

CONSENT AGREEMENT

I. For purposes of settling the above-referenced matter and in lieu of further administrative proceedings, Peter A. Bill (“PB”), Scanwood Limited Incorporated (“Scanwood”), and AOS, Inc. (“AOS”) (collectively, “Respondents”) have submitted an offer of settlement, which the State of New Hampshire, Department of State, Bureau of Securities Regulation (“Bureau”) (the Respondents and the Bureau are referred to therein as the “Parties”) has determined to accept. The Parties have a good faith disagreement on the law and applicable regulations and have decided that it is in their best interests to avoid the uncertainty and expense associated with conducting further litigation. Accordingly, Respondents, without admitting or denying the facts, allegations or findings contained herein and in the Bureau’s Amended Petition, do hereby consent to the entry of this Agreement and the following.

The Facts

1. PB (CRD #825738) was a licensed broker-dealer agent of AOS (CRD #128605) starting in January 2015 and terminating in November 2017. PB was also the owner and principal of Scanwood (CRD # 145223), a state-level investment advisory firm located at 18 Mt. Forist Street, Berlin, New Hampshire 03570. Scanwood was licensed by the Bureau in New Hampshire as an investment adviser from December 2007 through the end of 2019. PB was licensed by the Bureau in New Hampshire as an investment adviser representative of Scanwood from December 2007 through the end of 2019.

2. AOS is a registered broker-dealer in the State of New Hampshire and principally located in Chicago, Illinois. AOS has been registered in New Hampshire since March 2004.
3. PB and Scanwood's trading for the accounts of their advisory clients was, by written agreement, conducted through AOS' online trading platform. Scanwood and PB's clients opened accounts with AOS. As part of their investment and advisory strategies, PB and Scanwood exercised discretion and traded equities, options, and leveraged and inverse exchange-traded funds ("ETFs") on behalf of their clients.
4. AOS reviewed Scanwood's clients' account opening documentation and approved options trading levels for clients of PB and Scanwood. PB signed an independent investment advisor and registered representative agreement with AOS which detailed the relationships among PB, Scanwood and AOS. AOS conducted trade reviews and ran exception-based reports of PB's trading.
5. In February 2018, the Bureau received a complaint against PB and Scanwood from a client concerning annuities they had sold the complainant. As part of the investigation, the Bureau interviewed the complainant in February of 2018 and reviewed all of her account activity while under PB's discretionary control.
6. At the conclusion of its investigation, the Bureau contended that PB and Scanwood's trading for the complainant violated RSA 421-B:5-502. The Bureau contends that the complainant's discretionary account had net losses of nine thousand nine hundred fifty-nine dollars and forty-three cents (\$9,959.43) as a result of the trading in options and leveraged and inverse ETFs.
7. AOS did not intervene in PB and Scanwood's trading in advisory accounts. The Bureau contends that AOS should have intervened in the RIA's trading the Bureau contends was violative. AOS contends that it should not have intervened due to the agreements in place and the contractual relationships between and among (i) AOS and complainant, (ii) AOS and Scanwood, and (ii) Scanwood and complainant.

The Law

1. PB, Scanwood and AOS are "persons" within the meaning of RSA 421-B:2, XVI (prior to January 1, 2016) and RSA 421-B:1-102(39) (on or after January 1, 2016).
2. AOS is a broker-dealer within the meaning of RSA 421-B:2, III (prior to January 1, 2016) and RSA 421-B:1-102(6) (on or after January 1, 2016).
3. PB is a broker-dealer agent of AOS within the meaning of RSA 421-B:2, II (prior to January 1, 2016) and RSA 421-B:1-102(3) (on or after January 1, 2016).

4. Scanwood is an investment adviser within the meaning of RSA 421-B:2, IX (prior to January 1, 2016) and RSA 421-B: 1-102(26) (on or after January 1, 2016).
5. PB is an investment adviser representative of Scanwood within in the meaning of RSA 421-B:2, IX-a (prior to January 1, 2016) and RSA 421-B:1-102(27) (on or after January 1, 2016).
6. Pursuant to RSA 421-B:26, III-a (prior to January 1, 2016) and RSA 421-B:4-412(h) (on or after January 1, 2016), every person who directly or indirectly controls a person liable under paragraph I, II, or III every partner, principal executive officer, or director of such person, every person occupying a similar status or performing a similar function, who materially aids in the acts or transactions constituting the violation, either knowingly or negligently, may be liable. AOS is subject to this provision.
7. Pursuant to RSA 421-B:4, V(a) (prior to January 1, 2016) and RSA 421-B:5-502(b)(2)(A) (on or after January 1, 2016), 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 constitute violations of subsection (a), including 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. The Bureau contends that PB and Scanwood violated this provision. PB and Scanwood dispute this contention.

Pursuant to RSA 421-B:8, X (prior to January 1, 2016) and RSA 421-B:4-406(k) (on or after January 1, 2016), persons licensed under RSA 421-B to conduct securities business shall abide by the rules of the Securities and Exchange Commission and other self-regulatory organizations (e.g., FINRA) which have jurisdiction over the licensee, which set forth standards of conduct in the securities industry. FINRA Rule 2111(a) requires a member, which includes a person associated with a member, to have a reasonable basis to believe that a recommended transaction or investment strategy is suitable for a customer. FINRA Rule 2360 requires members to supervise accounts where options are traded. A violation of FINRA Rule 2360 constitutes a violation of FINRA Rule 2010, which requires a member, which includes a person associated with a member, to observe high standards of commercial honor and just and equitable principles of trade. FINRA Rule 3110 requires a member to establish and

maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. FINRA Rules 3270 and 3280 require that outside business activities of associated persons, including outside securities transactions, must be approved by the member firm, recorded on the books and records of the firm, and supervised as if they were executed on behalf of the firm. The Bureau contends that AOS is subject to these rules and violated them. AOS disputes this contention.

8. Pursuant to RSA 421-B:6-604(e), the Bureau may recover restitution of losses incurred. Respondents are subject to this provision.
9. Pursuant to RSA 421-B:6-604(g), the Bureau may recover investigative costs. Respondents are subject to this provision.

II. In view of the foregoing, Respondents agree to the following:

1. Respondents agree that that they have voluntarily consented to the entry of this Agreement and represent and aver that no employee or representative of the Bureau has made any promise, representation, or threat to induce its execution.
2. Respondents agree to waive their right to an administrative hearing and any appeal therein under this chapter.
3. Respondents agree that this Agreement is entered into for purpose of completely and finally resolving the matter described herein and in the Bureau's Amended Petition. This Agreement shall have no evidentiary effect in any other proceeding or action. Likewise, this Order shall not be construed to restrict the Bureau's right to initiate an administrative investigation or proceeding relative to conduct by Respondents of which the Bureau has no knowledge at the time of the date of final entry of this Agreement.
4. Respondents agree not to take any action or make any public statement, including in regulatory filings or otherwise, which is inconsistent with the language in this Agreement. Nothing in this provision affects Respondents' testimonial obligations or right to take legal positions in litigation in which the State of New Hampshire is not a party.
5. Respondents PB and Scanwood acknowledge that they do not currently hold any licenses with the Bureau, and voluntarily agree not to seek licenses with the Bureau to engage in securities transactions in the State of New Hampshire.
6. Respondent AOS agrees to record on its books and records the transactions of independent RIAs who are also registered representatives of AOS based in New Hampshire, in accordance with FINRA Rule 3280. AOS will review those transactions via exception-based reporting and trade reviews. In connection with these reviews, AOS will take reasonable and appropriate action to remedy an exception requiring its attention.
7. Respondent AOS agrees to abide by the provisions of N.H. RSA 421-B, and

particularly the sections referenced herein this Agreement.

8. Within 10 days of execution of this Agreement, Respondents jointly and severally agree to pay a total of seventy-five thousand dollars (\$75,000), to be broken down as follows: \$65,040.57 made payable to the State of New Hampshire, representing reimbursement for investigative costs, and \$9,959.43 made payable to the complainant, representing restitution of losses. Payments must be made by 1) business check, certified check, or postal money order; 2) made payable as described above; and 3) mailed to the Bureau of Securities Regulation, Department of State, State House, Room 204, Concord, New Hampshire, 03301.

III. Based on the foregoing, the Bureau deems it appropriate and in the public interest to accept and enter into this Agreement. **THEREFORE, IT IS HEREBY AGREED THAT:**

1. Respondents PB and Scanwood voluntarily agree not to seek licenses with the Bureau to engage in securities transactions in State of New Hampshire.
2. Respondents jointly and severally pay restitution in the amount of \$9,959.43 and the Bureau's costs in the amount of \$65,040.57.
3. Respondents will comply with the agreements enumerated in Section II above.

Executed this _____ day of March, 2022.

on behalf of AOS, Inc.
(Please print name below)

Entered this 31 day of March, 2022.



Peter A. Bill

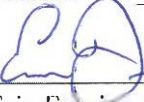
Entered this 31 day of March, 2022.



On Behalf of Scanwood Limited Incorporated
(Please print name below)

Peter A. Bill

Entered this 31st day of March, 2022.



Eric Forcier, Deputy Secretary
N.H. Bureau of Securities Regulation

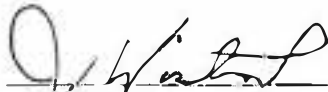
particularly the sections referenced herein this Agreement.

8. Within 10 days of execution of this Agreement, Respondents jointly and severally agree to pay a total of seventy-five thousand dollars (\$75,000), to be broken down as follows: \$65,040.57 made payable to the State of New Hampshire, representing reimbursement for investigative costs, and \$9,959.43 made payable to the complainant, representing restitution of losses. Payments must be made by 1) business check, certified check, or postal money order; 2) made payable as described above; and 3) mailed to the Bureau of Securities Regulation, Department of State, State House, Room 204, Concord, New Hampshire, 03301.

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3. Respondents will comply with the agreements enumerated in Section II above.

Executed this 31st day of March, 2022.



on behalf of AOS, Inc.

(Please print name below)

Jere Wicket

Entered this _____ day of March, 2022.

Peter A. Bill

Entered this _____ day of March, 2022.

On Behalf of Scanwood Limited Incorporated
(Please print name below)

Entered this 31st day of March, 2022.



Eric Forcier, Deputy Secretary
N.H. Bureau of Securities Regulation