

OFFICE OF THE ATTORNEY GENERAL
BUREAU OF SECURITIES
STATE OF NEW JERSEY
P.O. BOX 47029
NEWARK, NEW JERSEY 07101
(973) 504-3600

IN THE MATTER
OF:

AOS, INC.,
(CRD# 128605)

Respondent.

CONSENT ORDER

Pursuant to the authority granted to Laura H. Posner, Chief of the New Jersey Bureau of Securities (“Bureau Chief”), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. (“Securities Law”), including N.J.S.A. 49:3-59(b) and N.J.S.A. 49:3-70.1, and certain regulations, and based on a review of the relevant facts, including documents obtained during the investigation by the New Jersey Bureau of Securities (“Bureau”) and testimony provided during depositions, the Bureau Chief hereby finds that there is good cause and it is in the interest of preserving resources and without prejudicing the public interest, AOS, Inc., d/b/a TRADINGBLOCK (“TRADINGBLOCK”), agrees to resolve any and all issues in controversy in this matter on the terms set forth in this Consent Order (“Consent Order”).

WHEREAS, the Bureau is the State agency with the responsibility to administer and enforce the Securities Law; and

WHEREAS, N.J.S.A. 49:3-67 authorizes the Bureau Chief from time to time to issue such Orders as are necessary to carry out the provisions of the Securities Law, upon a finding that the action is necessary or appropriate in the public interest or for the protection

of investors and consistent with the purposes fairly intended by the provisions of the Securities Law; and

WHEREAS, the Bureau has conducted an investigation into certain brokerage accounts maintained at TRADINGBLOCK from approximately August 2010 to December 2012 (the “Accounts”); and

WHEREAS, TRADINGBLOCK and the Bureau Chief wish to resolve these issues without the expense and delay that formal administrative proceedings would involve; and

WHEREAS, TRADINGBLOCK consents to the form and entry of this Consent Order. Accordingly, TRADINGBLOCK waives the following rights:

a. To be afforded an opportunity for hearing on the Bureau Chief’s findings and conclusions of law in this Consent Order after reasonable notice within the meaning of N.J.S.A. 49:3-58(c)(2); and

b. To seek judicial review of, or otherwise challenge or contend, the validity of this Consent Order; and

WHEREAS, TRADINGBLOCK, without admitting or denying the facts or findings herein, agrees that solely for the purposes of settling this matter, or any future proceedings by the Bureau, this Consent Order shall have the same effect as if proven and ordered after a full hearing held pursuant to N.J.S.A. 52:14B-1et seq.; and

WHEREAS, this Consent Order concludes the investigation and action by the Bureau Chief and any civil or administrative action that could be commenced, pursuant to the Securities Law, on behalf of the Bureau Chief, as it relates to seeking civil monetary penalties or other relief against TRADINGBLOCK for the conduct described herein.

FINDINGS OF FACT

Bureau Chief makes the following Findings of Fact:

1. AOS, Inc. (CRD# 128605), which maintains a principal place of business at 311 S. Wacker Drive, Ste. 650, Chicago, Illinois 60606, has been registered with the Bureau as a broker-dealer since March 2004. AOS, Inc. has been operating its broker-dealer division under the d/b/a name of TRADINGBLOCK since October 2010.
2. The manager/control person of an entity or the owner of a TRADINGBLOCK account may designate third parties who can trade in their account by executing a limited trading authorization form (“LTA Form”). The LTA Form is provided to TRADINGBLOCK’s support desk and reviewed by one or more principals in the firm.
3. TRADINGBLOCK’s Written Supervisory Procedures 8-10 (effective August 2010), “Third-Party Accounts”, provide that: “[t]he firm will preserve for a period of not less than three years, the first two years in an accessible place all powers of attorney and other evidence of the granting of any discretionary authority given to a third-party in respect of any account, and copies of resolution empowering an agent to act on behalf of a corporation.”
4. TRADINGBLOCK has not made any substantive changes to its “Third-Party Accounts” procedures since August 2010.
5. Pursuant to N.J.S.A. 49:3-59(b) and N.J.A.C. 13:47a-1.10, broker-dealers registered with the Bureau are required to make and keep books, records, and accounts as required by the Securities and Exchange Commission.
6. 17 C.F.R. § 240.17a-4(b)(6) states that every broker dealer subject to § 240.17a-3 shall preserve for a period of not less than three years all guarantees of accounts and all

powers of attorney and other evidence of the granting of any discretionary authority given in respect of any account, and copies of resolutions empowering an agent to act on behalf of a corporation.

7. TRADINGBLOCK failed to maintain the LTA Forms for at least four individuals who exercised trading authority in the Accounts that they did not own.

CONCLUSIONS OF LAW

Bureau Chief makes the following Conclusions of Law:

1. TRADINGBLOCK's failure to maintain signed "Limited Trading Authorization Forms" constitutes a failure to make and keep accurate books and records, in violation of N.J.S.A. 49:3-59(b) and N.J.A.C. 13:47a-1.10.

ORDER

THEREFORE, it is on this 7^m day of July 2014, hereby **AGREED AND ORDERED** that, TRADINGBLOCK will CEASE AND DESIST from future violations of the Securities Law; and it is

FURTHER ORDERED that, TRADINGBLOCK is assessed a civil monetary penalty in the amount of fifteen thousand dollars (\$15,000). The civil monetary penalty is due and payable in three installments of five thousand dollars (\$5,000) each, the first to be due thirty (30) days after entry of the Consent Order, the second to be due sixty (60) days after entry of the Consent Order, and the third to be due ninety (90) days after entry of the Consent Order, to be paid by check or wire transfer to "State of New Jersey, Bureau of Securities" 153 Halsey Street, 6th Floor, Newark, New Jersey 07102, or to be received at "Bureau of Securities" P.O. Box 47029, Newark, New Jersey 07101. Seven thousand five

hundred dollars (\$7,500) of the civil monetary penalty payment shall be placed in a fund to be used for the Bureau's investor education program. The remaining seven thousand five hundred dollars (\$7,500) of the civil monetary penalty payment shall be deposited in the Securities Enforcement Fund, pursuant to N.J.S.A. 49:3-66.1; and it is

FURTHER ORDERED that, TRADINGBLOCK will send a written reminder to its employees within thirty (30) days of this order regarding the obligation to obtain and preserve limited trading authorization forms from account managers or holders granting authorization to each third party to trade in a client account. TRADINGBLOCK will provide the Bureau a copy of the written reminder and certification of its distribution no later than thirty (30) days of the written reminder's delivery date.

GENERAL PROVISIONS

1. Pursuant to N.J.A.C. 1:1-19.1(d) this Consent Order shall be deemed the final decision as to TRADINGBLOCK.
2. TRADINGBLOCK shall cooperate fully and promptly with the Bureau and the Office of the Attorney General in any pending or subsequently initiated inquiry, investigation, proceeding or other process relating to the subject of this Consent Order, which shall voluntarily include production of documents, appearance at times and locations requested by the Bureau, and disclosure of any information relevant to the subject matter of the Consent Order. Failure to perform under the conditions of this Consent Order shall be deemed a failure to cooperate under the Securities Law, and/or entitle the Bureau to specific performance, and any other available remedies.
3. Nothing in this Consent Order is intended to limit or supersede any authority or remedy available to the Bureau Chief under the Securities Law.

4. No employee or official of, or person representing, the Bureau or the State of New Jersey has made any additional promise or representation to TRADINGBLOCK regarding this Consent Order.

5. This Consent Order shall not bind any person not a party thereto. Each of the undersigned has read this Consent Order, understands it, and agrees to be bound by its terms.

6. TRADINGBLOCK agrees that solely for the purpose of this matter or future proceedings to enforce this Consent Order that this Consent Order shall have the same effect as if proven and ordered after a full hearing pursuant to N.J.S.A. 52:14B-1 et seq.

NEW JERSEY BUREAU OF SECURITIES

BY: 
LAURA H. POSNER
BUREAU CHIEF

The undersigned consents to the form and entry of this Consent Order.

AOS Inc., d/b/a TRADINGBLOCK

BY: 
Name: Steve Hoffman

Title: CEO

DATE: 19 June 2014