

STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. Box 47029
Newark, New Jersey 07101
(973) 504-3600

IN THE MATTER OF:

GLENN C. MUELLER,
individually, and as President
and Chief Executive Officer of
Northridge Holdings, Ltd.,
Eastridge Holdings, Ltd., and
Unity Investment Group I, Ltd.;
NORTHRIDGE HOLDINGS, LTD.,
a North Dakota corporation;
EASTRIDGE HOLDINGS, LTD.,
an Illinois corporation;
UNITY INVESTMENT GROUP I, LTD.,
an Illinois corporation;
SOUTHRIDGE HOLDINGS, LTD., and
an Illinois corporation;
**AMBERWOOD HOLDINGS LIMITED
PARTNERSHIP,**
an Illinois limited partnership;

Respondents.

**SUMMARY CEASE
AND DESIST ORDER**

Pursuant to the authority granted to Christopher W. Gerold, Chief of the New Jersey Bureau of Securities ("Bureau Chief"), under the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -83 ("Securities Law") and certain regulations thereunder, and based upon an investigation by the New Jersey Bureau of Securities ("Bureau"), the Bureau Chief hereby finds that there is good cause and it is in the public interest to enter this Summary Cease and Desist Order ("Order") against Glenn C. Mueller, Northridge Holdings, Ltd., Eastridge Holdings, Ltd., Southridge Holdings,

Ltd., Unity Investment Group I, Ltd., and Amberwood Holdings Limited Partnership.

From March 2011 through at least October 2018, Glenn C. Mueller ("Mueller") and Northridge Holdings, Ltd. ("Northridge"), through Mueller and other unregistered individuals ("Unregistered Agents"), illegally sold approximately \$10.46 million of unregistered securities to sixty-two investors in violation of the New Jersey Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -83 ("Securities Law"). Located in Addison, Illinois, Mueller and Northridge sold more than \$47 million of unregistered securities nationally to more than 500 investors in more than thirty states.

The unregistered securities were typically one-page promissory notes ("Northridge Securities") issued by Mueller controlled entities, including Eastridge Holdings, Ltd. ("Eastridge"), Unity Investment Group I, Ltd. ("Unity"), Southridge Holdings, Ltd. ("Southridge"), and Amberwood Holdings Limited Partnership ("Amberwood") (collectively, the "Mueller Entities").

The Northridge Securities were sold to investors without the benefit of any meaningful risk disclosures, information regarding the financial solvency of the issuers, information regarding corporate structure, or most of the information that would typically be found in a private placement memorandum or prospectus.

To sell the unregistered Northridge Securities to investors, Mueller, Northridge, the Mueller Entities, and other related entities engaged and paid commissions and/or fees to Unregistered Agents. In New Jersey, at least two Unregistered Agents were paid at least \$694,977 in commissions or fees for selling approximately 132 Northridge Securities.

The Bureau Chief makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

I. The Respondents

1. Respondent Mueller is an individual who, at all relevant times, resided in West Chicago, Illinois. Mueller has never been registered with the Bureau in any capacity.

2. Respondent Northridge is a North Dakota corporation formed on March 11, 1987, and headquartered in Addison, Illinois. Mueller is the President and sole shareholder of Northridge. Northridge purportedly owns and manages multi-family apartment complexes and other properties. Northridge has never been registered with the Bureau in any capacity.

3. Respondent Eastridge is an Illinois corporation formed on January 17, 2008, and headquartered in Addison, Illinois. Mueller is the President and sole shareholder of Eastridge. Eastridge has never been registered with the Bureau in any capacity.

4. Respondent Unity is an Illinois corporation formed on November 8, 2007, and headquartered in Addison, Illinois. Mueller is the President and sole shareholder of Unity. Unity has never been registered with the Bureau in any capacity.

5. Respondent Southridge is an Illinois corporation formed on October 13, 2005, and headquartered in Addison, Illinois. Mueller is the President of Southridge. Southridge has never been registered with the Bureau in any capacity.

6. Respondent Amberwood is an Illinois limited partnership formed on February 21, 1990, and headquartered in Addison, Illinois. Northridge is the general partner, and Mueller is the registered agent and one of the three limited partners, of Amberwood. Amberwood has never been registered with the Bureau in any capacity.

II. Offer and Sale of Northridge Securities

7. Beginning on or about March 2011 through at least October 2018 ("Relevant Period"), Mueller and Northridge, through Mueller, offered and sold the Northridge Securities issued by the Mueller Entities to investors.

8. Mueller and Northridge, through Mueller, contracted with at least two New Jersey-based Unregistered Agents to offer and sell the Northridge Securities in or from New Jersey.

9. Among other things, the Unregistered Agents solicited potential investors, and for certain investors, arranged for them to speak directly with Mueller about the Northridge Securities.

10. The investors invested their funds with the respective promissory note issuers - Eastridge, Unity, Southridge, or Amberwood.

11. Northridge effected or attempted to effect the sale of the Northridge Securities by, among other things:

- a. acting as the investors' contact for the Mueller Entities;
- b. soliciting investors in the Mueller Entities, through Mueller and the Unregistered Agents;
- c. establishing, maintaining, and servicing investor accounts through actions such as receiving from each investor a completed "Investor Contact Information Sheet" and "Accreditation Form" and sending welcome letters to new investors containing login credentials for investors' online accounts;
- d. sending the Northridge Securities to investors for execution;
- e. communicating and coordinating with the Unregistered Agents and investors via Northridge's "Investor Relations" department;

f. maintaining a website to market the Northridge Securities; and

g. sending periodic account statements to investors regarding their investments with Northridge.

12. From approximately April 2011 to June 2017, the Unregistered Agents were paid commissions by Amberwood for the sale and renewal of each Northridge Security sold to an investor. The commissions paid to the Unregistered Agents varied from approximately 2% to 10% of the principal amount of the Northridge Security sold, depending on the term to maturity of the promissory note, and whether it was an original sale or a renewal of an existing promissory note. Promissory notes with a longer term to maturity, or that contained a potential conversion option, paid greater commissions to the Unregistered Agent.

13. Starting in June 2017, and continuing thereafter, the Unregistered Agents' compensation structure changed to a "consulting fee" agreement, whereby the Unregistered Agents were paid monthly "consulting fees" by Amberwood for the sale and/or renewal of the Northridge Securities.

14. The Unregistered Agents entered into "Consulting Fee Agreements" with Northridge (signed by Mueller as President and CEO). The Consulting Fee Agreements referred to each Unregistered Agent as a "Consultant" and, among other things, provided that:

- a. the Unregistered Agent would be compensated if an investor was referred to Northridge and invested;
- b. the Unregistered Agent would be paid pursuant to a schedule attached to the Consulting Fee Agreement, which provided for fixed monthly payments over a four-month period; and
- c. the Consulting Fee Agreement could be extended every four months with renegotiated monthly payments.

15. Payments made to the Unregistered Agents pursuant to the schedule attached to the Consulting Fee Agreements ranged from \$400 to \$8,000 per month.

16. In total, during the Relevant Period, at least \$694,977 was paid to the two Unregistered Agents in New Jersey as commissions and/or consulting fees.

17. Mueller and the Unregistered Agents were not registered with the Bureau as agents to sell the Northridge Securities.

18. The Northridge Securities are securities as defined in N.J.S.A. 49:3-49(m).

19. The Northridge Securities were not registered with the Bureau, not federally covered, and not exempt from registration.

20. Mueller, the Mueller Entities, and Northridge, through Mueller and the Unregistered Agents, raised more than \$10.46 million from the sale of at least 132 original or renewed Northridge Securities to at least sixty-two investors to or from

New Jersey.

III. Eastridge Promissory Notes

21. Eastridge, through Northridge, both acting through Mueller, raised approximately \$4.85 million from the sale of sixty-eight Northridge Securities to thirty-three investors to or from New Jersey ("Eastridge Promissory Notes") by Mueller and the Unregistered Agents.

22. The Eastridge Promissory Notes were sold to investors with interest rates ranging from 2% to 10% per annum and maturity dates ranging from six months to eight years. Typically, the notes with longer maturity dates paid greater interest. The Eastridge Promissory Notes automatically renewed for the same duration as the original note, at the same principal as the original note plus accrued interest, at the current interest rate offered by Eastridge at the stated maturity date, unless the investor provided at least ten days' written notice to Eastridge to prevent the renewal.

23. At least three of the sixty-eight Eastridge Promissory Notes sold to investors offered a convertibility feature that stated the promissory note would remain in effect until "such time as it is invested in a real estate limited partnership." The Eastridge Promissory Notes did not provide any additional explanation as to the meaning or terms of such conversion.

IV. Unity Promissory Notes

24. Unity, through Northridge, each acting through Mueller, raised approximately \$4.94 million from the sale of sixty-two Northridge Securities to thirty-six investors to or from New Jersey ("Unity Promissory Notes"), by Mueller and the Unregistered Agents.

25. The Unity Promissory Notes were sold only to investors who were using funds from an individual retirement account to purchase securities offered by Northridge.

26. The Unity Promissory Notes were sold to investors with interest rates ranging from 3% to 6% per annum and maturity dates ranging from one year to eight years. Typically, the notes with longer maturity dates paid greater interest.

27. At least two of the sixty-two Unity Promissory Notes sold to investors offered a convertibility feature that stated the promissory note would remain in effect until invested in a "Limited Partnership, with Northridge Holdings Ltd., as General Partner." These two Unity Promissory Notes further stated: "The loan amount will be increased or reduced by the profit or loss distribution as specified in the Limited Partnership Agreement in proportion that the note is to the aggregate capital accounts of all the Limited Partners. This distribution will be reduced by the stated interest accrued to that point. This note

is subject to the terms and conditions of the subsequent Limited Partnership Agreement."

V. Southridge Promissory Note

28. Southridge, through Northridge, both acting through Mueller, raised approximately \$154,836 from one New Jersey investor through the sale of one Northridge Security ("Southridge Promissory Note"), by Mueller and the Unregistered Agent.

29. The Southridge Promissory Note was sold to an investor with an interest rate of 3% per annum and a maturity date of six months. The Southridge Promissory Note automatically renewed for the same duration as the original note, at the same principal of the original note plus accrued interest, at the current interest rate offered by Southridge at the stated maturity date, unless the investor provided at least ten days' written notice to Southridge to prevent the renewal.

VI. Amberwood Promissory Note

30. Amberwood, through Northridge, both acting through Mueller, raised at least \$40,275 from one New Jersey investor ("Amberwood Investor") through the sale of one Northridge Security ("Amberwood Promissory Note"), by Mueller and an Unregistered Agent.

31. The Amberwood Investor had originally been solicited to purchase a Unity Promissory Note, but the Amberwood Investor's

inquiries as to the risks of purchasing the Unity Promissory Note led to her being sold the Amberwood Promissory Note.

32. The Amberwood Promissory Note that was sent to the Amberwood Investor provided in relevant part that:

- a. it replaced a Unity Promissory Note for \$40,275, backdated to the original purchase date;
- b. it paid interest at a rate of 6% per annum; and
- c. it matured in five years.

33. The Amberwood Promissory Note was attached as an exhibit to a "Security Agreement."

34. The "Security Agreement" purportedly securing the payment and performance of the \$40,275 Amberwood Promissory Note, was provided to the Amberwood Investor to address the concerns about the riskiness of the investment.

35. The Amberwood Investor signed the Amberwood Promissory Note and provided the \$40,275 investment. However, the Amberwood Investor requested that the investment not be processed. Northridge and Amberwood agreed to void the investment and returned the investment funds to the investor.

36. The Northridge Securities were sold by: (a) Eastridge through Northridge, each acting through Mueller, Mueller individually, and the Unregistered Agents; (b) Southridge, through Northridge, each acting through Mueller, Mueller individually, and an Unregistered Agent; (c) Unity, through Northridge, each acting

through Mueller, Mueller individually, and the Unregistered Agents; and (d) Amberwood, through its general partner Northridge, each acting through Mueller, Mueller individually, and an Unregistered Agent.

CONCLUSIONS OF LAW

37. The Northridge Securities are securities as defined in N.J.S.A. 49:3-49(m).

38. The Northridge Securities were not registered with the Bureau, not exempt from registration, and not federally covered.

39. The Northridge Securities were required to be registered with the Bureau pursuant to N.J.S.A. 49:3-60.

40. Each renewal of the Northridge Securities constitutes a separate sale under the Securities Law.

41. Each offer and sale of the unregistered Northridge Securities by the Mueller Entities, through Northridge, all acting through Mueller, Mueller individually, and the Unregistered Agents constitutes a separate violation of N.J.S.A. 49:3-60.

42. Northridge effected or attempted to effect transactions in securities issued by Eastridge, Southridge, Unity, and Amberwood - specifically, the Eastridge Promissory Notes, the Southridge Promissory Note, the Unity Promissory Notes, and the Amberwood Promissory Note, from or in New Jersey and, thus, acted

as a broker-dealer, as defined in N.J.S.A. 49:3-49(c), without being registered with the Bureau.

43. Northridge violated N.J.S.A. 49:3-56(a), which provides, among other things, that only persons registered with the Bureau may lawfully act as a broker-dealer.

44. Mueller represented Northridge, Eastridge, Unity, Southridge, and Amberwood in effecting or attempting to effect transactions in securities from or in New Jersey and, thus, acted as an agent, as defined in N.J.S.A. 49:3-49(b), without being registered with the Bureau to sell the Northridge Securities.

45. Mueller violated N.J.S.A. 49:3-56(a) which provides, among other things, that only individuals registered with the Bureau may lawfully act as an agent.

46. Northridge, Eastridge, Unity, Southridge, and Amberwood employed or engaged agents, including Mueller and the Unregistered Agents, in effecting or attempting to effect transactions in securities from or in New Jersey.

47. Mueller and the Unregistered Agents acted as agents, as defined in N.J.S.A. 49:3-49(b), without being registered with the Bureau.

48. Northridge, Eastridge, Unity, Southridge, and Amberwood engaged agents who were not registered with the Bureau to sell Northridge Securities in violation of N.J.S.A. 49:3-56(h).

49. N.J.S.A. 49:3-67 empowers the Bureau Chief to issue orders that are reasonably necessary to carry out the provisions of the Law.

50. N.J.S.A. 49:3-69(a)(1) empowers the Bureau Chief to issue a cease and desist order against persons engaged in prohibited activities, directing them to cease and desist from further illegal activity or doing acts in furtherance thereof.

51. Respondents violations are continuous and ongoing, therefore making a cease and desist order in the public interest and an appropriate remedy.

ORDER

Therefore, based upon all of the foregoing,

It is on this 10th day of JUNE 2019, hereby

ORDERED that:

1. Respondents and any person, employee, officer, director, entity, agent, finder, or independent contractor under Respondents' direction or control immediately CEASE AND DESIST from:

- a. offering for sale any security in New Jersey until the security is registered with the Bureau or is offered for sale pursuant to an exemption from registration under the Securities Law. This shall include additional sales or renewals of promissory notes to current investors;

- b. acting as agents in New Jersey until each is registered with the Bureau or are acting pursuant to an exemption from registration under the Securities Law; and
- c. violating any other provisions of the Securities Law and any rules promulgated thereunder for the sale of any security in New Jersey.

2. All exemptions contained in N.J.S.A. 49:3-50 subsection (a) paragraph 9, 10, and 11 and subsection (b) are hereby **DENIED** as to Respondents.

3. All exemptions to the registration requirements provided by N.J.S.A. 49:3-56(b), N.J.S.A. 49:3-56(c) and N.J.S.A. 49:3-56(g) are hereby **DENIED** as to Respondents.

4. Nothing in this order shall preclude Respondents or any person, employee, officer, director, entity, agent, finder, or independent contractor under Respondents' direction or control from paying interest or principal pursuant to the terms of the Northridge Securities.



Christopher W. Gerold
Chief, New Jersey Bureau of
Securities

NOTICE OF RIGHT TO HEARING

Pursuant to N.J.S.A. 49:3-69(a)(1)(i) the Bureau Chief shall entertain on no less than three days' notice a written application to lift the Order to Cease and Desist on written application of the person subject thereto and in connection therewith may, but need not, hold a hearing and hear testimony, but shall provide to the person subject thereto a written statement of the reasons for the Order to Cease and Desist.

Pursuant to N.J.S.A. 49:3-69(a)(1)(ii), upon service of notice of the Order to Cease and Desist issued by the Bureau Chief, the person subject thereto shall have up to 15 days to respond to the Bureau in the form of a written answer and written request for a hearing. The Bureau Chief shall, within five days of receiving the answer and request for a hearing, either transmit the matter to the Office of Administrative Law for a hearing or schedule a hearing at the Bureau of Securities.

Orders issued pursuant to N.J.S.A. 49:3-69 shall be subject to an application to vacate upon 10 days' notice, and a preliminary hearing on the Order shall be held in any event within 20 days after it is requested, and the filing of a motion to vacate the Order shall toll the time for filing an answer and written request for a hearing.

Pursuant to N.J.S.A. 49:3-69(a)(1)(iii), if any person subject to the Order fails to respond by filing a written answer

and written request for a hearing with the Bureau or moving to vacate the order within the 15 day prescribed period, that person shall have waived the opportunity to be heard. The Order will be a Final Order and shall remain in effect until modified or vacated.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action revoking your registration, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of the relief requested does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you.