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

IN THE MATTER OF: Stephen Cagnassola (CRD# 2626203), Respondent.	**SUMMARY PENALTY 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 -89 ("Securities Law") and certain regulations thereunder, and based upon documents and information obtained during the 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 Penalty Order ("Order") against Stephen Cagnassola ("Cagnassola").

SUMMARY

From approximately May 2012, through September 2017, ("Relevant Time Period"), Cagnassola sold at least $1,035,516 of unregistered securities in two different investments to at least 15 investors. Cagnassola marketed the securities as safe investments. Far from being safe investments, however, both investments were ultimately determined by federal or state authorities to have been fraudulent schemes, including Northridge Holdings, Ltd. ("Northridge"), an alleged $41 million Ponzi scheme. Cagnassola failed to disclose to certain investors that he had been paid at least $96,204.88 by the issuers for selling the unregistered investments; the investors were left with the devastating loss of their investments.

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

FINDINGS OF FACT

A. Respondent

1. Cagnassola (CRD# 2626203), residing in Hackettstown, New Jersey, was registered with the Bureau as an agent of various broker-dealers and investment advisers from June 1995, to March 2011. Cagnassola was not registered with the Bureau in any capacity during the Relevant Time Period.

B. The Pension Income, LLC Securities

i. Background

2. From approximately May 2012, to July 2014, Cagnassola recommended and sold securities issued by Pension Funding, LLC and Pension Income, LLC (collectively, "Pension Income"). Pension Income purchased future pension income payments at a discount from individuals entitled to pension payments ("PI Pensioners") in return for a discounted lump sum payment up front.

3. Pension Income offered and sold securities, in the form of investment contracts titled Buyer's Master Agreements ("PI Securities"). Pension Income represented to investors, among other things, that: (1) Pension Income will "operate as an escrow agent matching the [investor] with [a PI Pensioner]"; (2) Pension Income will "collect documents which verify the [PI Pensioner]'s ability to meet the commitments," and "send [a PI Pensioner's] information to the [investor]"; (3) that Pension Income "provides a 100% money back guarantee"; and (4) Pension

Income promised that "[t]he sum of the [investor's] payments will never be less than the purchase price of the income stream."

4. On August 20, 2015, the Consumer Financial Protection Bureau ("CFPB") and the New York Department of Financial Services ("NYDFS") jointly brought a regulatory action against Pension Income and certain of its owners and officers, alleging that the defendants deceived the owners of the pensions into borrowing against their pensions, hid high-interest loan rates and fees associated with pension advances, and deceived the pension owners about other terms of the deal. The complaint further alleged that Pension Income engaged in unfair and deceptive acts or practices in violation of New York and federal law, charged usurious interest rates in violation of New York banking law, engaged in false and misleading advertising of loans, and made material misrepresentation of facts regarding a financial product.

5. The CFPB and NYDFS further alleged that Pension Income "marketed and offered its product to consumers with pensions from sources such as military and civil service," and the average effective annual interest rate of the loans exceeded both the New York civil and criminal usury caps.

6. On January 8, 2016, a court-appointed receiver took ownership of Pension Income's assets and a plan of distribution to repay investors' funds was approved on May 2, 2019.

ii. <u>Cagnassola's Sale of the Unregistered Pension Income Securities</u>

7. Cagnassola recommended, offered and sold seven PI Securities to or from New Jersey, totaling at least $275,622, to six investors ("PI Investors").

8. Pension Income paid Cagnassola a commission for the sale of the PI Securities. In total, Pension Income paid Cagnassola at least $38,122 for selling the unregistered PI Securities.

9. Cagnassola failed to disclose to at least three of the PI Investors that he would be compensated, and the amount that he would be compensated, from Pension Income for the sale of the PI Securities.

10. The PI Securities are securities as defined in N.J.S.A. 49:3-49(m) of the Securities Law.

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

C. The Northridge Securities

i. Background

12. From approximately October 2012, through at least September 2017, Cagnassola recommended, offered and sold securities in the form of promissory notes issued by Eastridge Holdings, Ltd. ("Eastridge"), Unity Investment Group I, Ltd. ("Unity"), Southridge Holdings, Ltd. ("Southridge"), and Northridge (together the "Northridge Securities"), all of which were controlled by Northridge's owner and president, Glenn C. Mueller ("Mueller").

13. On June 10, 2019, the Bureau filed an administrative Summary Cease and Desist Order, as well as a Complaint in the New Jersey Superior Court against Mueller, Northridge, Eastridge, Southridge, Unity, and related entities. Grewal v. Glenn C. Mueller, et al., Docket No. MRS-C-54-19 (Ch. Div. Jun. 10, 2019). The four-count Complaint alleged violations of the Securities Law, including selling unregistered securities, acting as an unregistered broker-dealer, acting as an unregistered agent, and employing unregistered agents. The Massachusetts Securities Division, Illinois Securities Department, and New Hampshire Bureau of Securities Regulation filed actions on the same day against Northridge, Mueller, and other Northridge-related entities, for selling unregistered securities.

ii. Cagnassola's Sale of the Unregistered Northridge Securities

14. Cagnassola recommended, offered, and sold twenty Northridge Securities totaling approximately $779,894 to or from New Jersey to at least twelve investors ("Northridge Investors").

15. Cagnassola recommended, offered, and sold the Northridge Securities without any prospectus, prospectus supplement, or other written offering materials, other than a Northridge brochure. Cagnassola failed to provide investors with material information such as risk disclosures, information regarding the financial solvency of the issuers, information regarding their corporate structure, or most of the information that would be required or expected in a private placement memorandum or prospectus. Further, certain Northridge Securities Cagnassola recommended, offered, and sold were labelled in the Northridge brochure as "CD Notes," even though the notes were not certificate of deposits, issued by a bank, or insured.

16. Cagnassola was paid commissions of at least $68,485.26, and certain other fees, by Northridge and other Northridge-related entities for selling the Northridge Securities.

17. Starting in September 2017, and continuing thereafter, Cagnassola's compensation structure changed to a "consulting fee" agreement, whereby Cagnassola was paid monthly "consulting fees" of $400 to $800 for the sale or renewal of the Northridge Securities.

18. Cagnassola admitted he failed to disclose to the Northridge Investors that he would be compensated, and the amount he would be compensated, from the Northridge-related entities for the sale of the Northridge Securities.

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

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

CONCLUSIONS OF LAW

CAGNASSOLA SOLD UNREGISTERED SECURITIES
N.J.S.A. 49:3-60
(PI Securities and Northridge Securities)

21. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

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

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

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

25. Cagnassola offered and sold the unregistered securities in violation of N.J.S.A. 49:3-60.

26. Each renewal of the unregistered securities constitutes a separate sale under the Securities Law.

27. Each offer and sale of the PI Securities and Northridge Securities constitutes a separate violation of N.J.S.A. 49:3-60 and is cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

CAGNASSOLA ACTED AS AN AGENT WITHOUT REGISTRATION
N.J.S.A. 49:3-56(a)
(Pension Income and Northridge)

28. The preceding paragraphs are incorporated by reference as though set forth verbatim herein.

29. Cagnassola acted as an agent of Pension Income and Northridge, Eastridge, Southridge, and Unity, as defined under N.J.S.A. 49:3-49(b), in effecting or attempting to effect transactions in securities in and from New Jersey.

30. Cagnassola was not registered with the Bureau as an agent of Pension Income, Northridge, Eastridge, Southridge, or Unity.

31. Cagnassola violated N.J.S.A. 49:3-56(a), which requires, among other things, that only persons registered with the Bureau may lawfully act as agents.

32. Each offer and sale of the PI Securities and Northridge Securities constitutes a separate violation of N.J.S.A. 49:3-56(a), and is cause for the imposition of civil monetary penalties pursuant to N.J.S.A. 49:3-70.1.

CONCLUSION

THEREFORE, it is on this 21st day of Dec. 2021, hereby **ORDERED** that:

33. Stephen Cagnassola is assessed and liable to pay civil monetary penalties in the amount of One Hundred Twenty Thousand dollars ($120,000), pursuant to N.J.S.A. 49:3-70.1, for the violations of the Securities Law described in this Order, which is immediately due and payable.

34. Payment of civil monetary penalties shall be made by certified check, bank check, or an attorney trust account check, payable to "State of New Jersey, Bureau of Securities," and delivered to the Bureau at 153 Halsey Street, 6th Floor, Newark, NJ 07102, to the attention of the Bureau Chief. The civil monetary penalty payments shall be deposited in the Securities Enforcement Fund, pursuant to N.J.S.A. 49:3-66.1.

35. 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 Stephen Cagnassola.

36. 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 **REVOKED** as to Stephen Cagnassola.

Christopher W. Gerold
Chief, New Jersey Bureau of Securities

NOTICE OF RIGHT TO HEARING

Pursuant to the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89 ("Securities Law"), the Bureau Chief shall entertain on no less than three days' notice, a written application to lift the summary revocation on written application of the applicant or registrant and in connection therewith may, but need not, hold a hearing and hear testimony, but shall provide to the applicant or registrant a written statement of the reasons for the summary revocation.

This matter will be set down for a hearing if a written request for such a hearing is filed with the Bureau within 20 days after the respondent receives this Order. A request for a hearing must be accompanied by a written response, which addresses specifically each of the allegations set forth in the Order. A general denial is unacceptable. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney.

Orders issued pursuant to this subsection to suspend or revoke any registration shall be subject to an application to vacate upon 10 days' notice, and a preliminary hearing on the order to suspend or revoke any registration 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.

If no hearing is requested, the Order shall become a Final Order and will remain in effect until modified or vacated. If a hearing is held, the Bureau Chief shall affirm, vacate or modify the order in accordance with the findings made at the hearing.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the 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 in this action.