

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF FINANCE
OF THE STATE OF IDAHO**

In the matter of

ANTHONY PELLEGRINO, and
GOLDSTONE FINANCIAL GROUP, LLC.

Docket No. 2019-7-05- C

AGREEMENT AND ORDER

The State of Idaho, Department of Finance, acting through its Securities Bureau ("Department") has instituted an investigation into the conduct of Anthony Pellegrino and Goldstone Financial Group, LLC ("Respondents"). Pursuant to said investigation, it appears that violations of *the Idaho Uniform Securities Act (2004)* ("Act"), *Idaho Code § 30-14-101 et seq.* have occurred. The Department and Respondents have agreed to resolve this matter without a public hearing or adjudication of this matter. Therefore, the Director of the Department of Finance ("Director") deems it appropriate and in the public interest that this Agreement and Order ("Order") be entered and the Respondents consent to the entry of this Order.

RESPONDENTS

1. **Anthony Pellegrino** ("Pellegrino") is a resident of Elmhurst, Illinois. Pellegrino has been licensed with the State of Illinois Insurance Department since 2008, is the owner of Goldstone Financial Group, LLC, and has been registered as an investment adviser representative with the State of Illinois since 2014 and received a Central Registration Depository ("CRD") number of 6390276.
2. **Goldstone Financial Group, LLC** ("Goldstone") is an investment adviser firm that specializes in retirement planning and is currently owned by Anthony Pellegrino. The company was incorporated in the State of Illinois on November 1, 2008 and is located on the 14th floor of One Lincoln Center at 18 West 140 Butterfield Road, Oakbrook Terrace, Illinois. Goldstone registered as an investment adviser firm with the Securities and Exchange Commission ("SEC") on June 5, 2015 and received a CRD number of 222520.

BACKGROUND

3. I Global Capital, LLC dba Ist Global Capital LLC ("I Global") was incorporated in June 2013 in Florida and founded by Carl Ruderman. The entity was a commercial lender that made short-term loans to small and medium sized businesses. Ist Global obtained the funds for these loans through the sales of notes entitled Memorandum of Indebtedness ("MOI").
4. I Global claimed the investor proceeds from the MOI notes would be used for funding Merchant Cash Advance Transactions ("MCAT") which is an alternative funding source for businesses outside of the banking industry.
5. The investments in MOI notes were advertised in materials issued by I Global as being short-term loans, historically yielding low double- digit returns with a diversified risk profile.
6. The MOI notes did not provide a specific return, instead the notes stated that the percentage assigned to a lender ("investor") would depend on the monetary amount of indebtedness allocated to each MCAT. The percentages assigned for each MCAT could vary and the amount assigned to the investor would be made at I Global's sole discretion. Investments would mature at the end of a nine-month period and then automatically roll into a new nine-month MOI note unless I Global received a written notice of termination from the investor no less than 30 days prior to the MOI note maturity.
7. When the investor elected to terminate their MOI at nine-months, the investor was required to wait for each of the MCATs in their account to unwind to receive repayment of their investment.
8. Investment funds received by I Global were commingled or pooled together and subsequently lent to MCAT borrowers. The investors would get a small, fractionalized interest in hundreds of MCATs.
9. Investors MS & AS entered into an Investment Advisory Agreement ("IA Agreement") with Goldstone on September 21, 2015.

10. Pellegrino and Goldstone marketed the MOIs as short-term (9 - 12 months) loans with high earnings (6% - 10%) and their "Statement of Understanding" for the MOIs, provided to Investors MS & AS, stated that I Global MOIs are not securities or investment products.
11. Respondents recommended the I Global MOI note to Idaho residents MS & AS. MS & AS invested \$238,000 on approximately December 27, 2017, and Pellegrino received a commission of \$7,140 from this sale.
12. I Global, and their sister company 1st West Capital LLC, filed for chapter 11 bankruptcy on July 27, 2018.
13. On August 23, 2018, the SEC filed a complaint against I Global and its affiliates alleging that Carl Ruderman, owner of I Global, conducted a nationwide fraud scheme that raised over \$287 million from over 3,400 investors. The SEC's complaint alleged that I Global's financial records were missing approximately \$50 million dollars of investor funds due to the misappropriation and improper use of the funds.
14. The SEC alleged that I Global issued unregistered securities in the form of notes, paid unregistered agents to sell the investments, used investor funds for purposes other than cash advances, and made numerous material misrepresentations and omissions to investors.
15. At no time were I Global's MOI notes registered as securities in Idaho nor did they qualify for an exemption.
16. Respondents failed to conduct adequate due diligence on the I Global product as it pertained to the applicability of state and federal securities laws. Rather, Respondents relied upon the representations made by I Global and the legal opinion of I Global's outside counsel that the I Global products were not securities.

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FINDINGS OF VIOLATIONS

17. Pursuant to *Idaho Code § 30-14-502(a)*, it is unlawful for a 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.

18. *Rule 104* of the Rules pursuant to the Act identifies fraudulent, dishonest, and unethical practices by investment adviser firms that would be an act, practice, or course of business that operates or would operate as a fraud or deceit. Subsection 04.b (Unsuitable Recommendations) further states that recommending to a customer, to whom investment advice is provided, the purchase, sale, or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the customer on the basis of information furnished by the customer after reasonable inquiry concerning the customer's investment objectives, financial situation and needs, and any other relevant information known by the investment adviser or investment adviser representative.

19. Goldstone and Pellegrino recommended the purchase of an unregistered security.

20. Goldstone and Pellegrino violated *Idaho Code § 30-14-502(a)(2)* by making an unsuitable recommendation in violation of IDAPA 12.01.08.104.04b.

ACKNOWLEDGMENT AND REMEDIES

21. The parties agree to entry of this Agreement and Order in lieu of other proceedings.

22. Respondents neither admit to nor deny the Complainant's findings of violations set forth in this Order.

23. Respondents hereby waive any rights they may have to notice and opportunity for hearing on this matter.

24. Respondents jointly agree to pay a civil penalty of ten thousand dollars (\$10,000) for the violations of the Act, pursuant to *Idaho Code § 30-14-604(d)*. Said civil penalty is to be paid not later than thirty (30) days from the date the Director executes this Order. Payment shall be made to the "Idaho Department of Finance."

25. In the event that Respondents commit future violations of the Act or fail to adhere to the terms of this Order, respondents acknowledge that the Idaho Department of Finance can incorporate the allegations giving rise to this Order in any future proceeding.

AGREED TO and ACKNOWLEDGED

Dated: 1/4/2022



ANTHONY PELLEGRINO (Signature)
By: Anthony Pellegrino Owner
Printed Name and Title

Dated: 1/4/2022



GOLDSTONE FINANCIAL GROUP, LLC. (Signature)
By: Anthony Pellegrino Owner
Printed Name and Title

Dated: 1/5/22



PATRICIA HIGHLEY, Securities Bureau Chief
Idaho Department of Finance

IT IS SO ORDERED

DATED this 5th day of January, 2022



STATE OF IDAHO
DEPARTMENT OF FINANCE

PATRICIA R. PERKINS, Director
Idaho Department of Finance