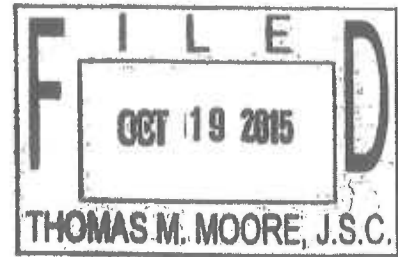


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 [REDACTED]

SUPERIOR COURT OF NEW JERSEY
 CHANCERY DIVISION: GENERAL
 EQUITY ESSEX COUNTY
 DOCKET NO. ESX-C-59-11

Civil Action

JOHN J. HOFFMAN, Acting Attorney
 General of New Jersey, on behalf of
 LAURA H. POSNER, Chief of the New
 Jersey Bureau of Securities,

 Plaintiff,

 v.

 MICHAEL WILLIAM KWASNIK, ESQ.,
 individually and as Managing Partner of
 Kwasnik, Rodeo, Kanowitz & Buckley,
 P.C.,
 WILLIAM KWASNIK, individually and
 as Chief Executive Officer of Liberty
 State Financial Holdings Corp. and
 President of Liberty State Benefits of
 Pennsylvania, Inc.;
 JOSEPH ANTHONY SCHIFANO,
 individually;
 DANIEL FRANCIS MCCORRY,
 Individually,
 WILLIAM P. LEONARD, individually
 and as secretary and treasurer of Capital
 Conservation Associates, Inc., *et al.*

 Defendants.

ORDER

THIS MATTER having been opened to the Court by John J. Hoffman, Acting Attorney General of the State of New Jersey, on behalf of Laura H. Posner, Chief of the New Jersey Bureau of Securities, for an Order granting summary judgment against Defendant Joseph Schifano, and for an Order granting final judgment by default against Defendants Michael William Kwasnik ("Michael Kwasnik") and Daniel McCorry; and the Court having considered the papers submitted in support of the motion and any papers submitted in opposition; in addition to oral argument, if any; and for good cause otherwise shown; the Court makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. From approximately December 2008 to approximately to March 2010, Liberty State Benefits of Pennsylvania, Inc. ("LSBPA") offered three (3) year notes purporting to pay a 12% annual return ("LSBPA Notes") for sale to investors.
2. The LSBPA Notes were offered for sale through the use of a Private Placement Memorandum.
3. The LSBPA Notes are securities under the New Jersey Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. ("Securities Law").
4. The LSBPA Notes were required to be, but were not, registered with the New Jersey Bureau of Securities ("Bureau").
5. The LSBPA Notes were not federally covered securities that would otherwise be exempt from registration under N.J.S.A. 49:3-60.1.
6. The LSBPA Notes were not exempt from registration under the Securities Law.
7. Michael Kwasnik, Joseph Schifano and Daniel McCorry, acting individually and in concert with each other, offered and sold the LSBPA Notes to investors.

8. The LSBPA Notes were offered and sold to at least seventy-three (73) investors.
9. Many of the investors included elderly investors and trusts for which Michael Kwasnik, who was formerly an attorney, served as trustee.
10. Daniel McCorry and Joseph Schifano offered and sold the LSBPA Notes to their financial advisory clients and those with whom they otherwise had pre-existing relationships.
11. Michael Kwasnik, on his own and/or together with Joseph Schifano and/or Daniel McCorry, offered and sold the LSBPA Notes to investors, including clients who sought his legal services.
12. Michael Kwasnik sold and/or substantially participated in the offer and sale of the LSBPA Notes to at least seventy-three (73) investors.
13. Joseph Schifano and Daniel McCorry sold and/or substantially participated in the offer and sale of the LSBPA Notes to at least twenty-three (23) investors.
14. Michael Kwasnik, Joseph Schifano and Daniel McCorry acted as "agents" as defined by N.J.S.A. 49:3-49(b), in connection with the offer and sale of the LSBPA Notes to investors.
15. Michael Kwasnik, Joseph Schifano and Daniel McCorry were not registered with the Bureau as "agents" as defined by N.J.S.A. 49:3-49(b), to offer or sell the LSBPA Notes to, from, or within New Jersey, nor were they exempt from registration.
16. Michael Kwasnik, Joseph Schifano and Daniel McCorry violated N.J.S.A. 49:3-56(a) (acting as an unregistered agent) and N.J.S.A. 49:3-60 (selling unregistered securities) by offering and selling the LSBPA Notes to, from, or within New Jersey without being registered as "agents" of Liberty State Benefits of Pennsylvania, Inc.

17. Michael Kwasnik, in connection with the offer and sale of securities, employed a device, scheme or artifice to defraud in violation of N.J.S.A. 49:3-52(a) by, among other things:
- a. causing investor funds to be used in a Ponzi scheme whereby new investor funds were used to pay existing investors;
 - b. causing investor funds to be used or transferred in a manner contrary to disclosures to investors; and
 - c. making materially false statements and omissions to investors, including
 - i. Failing to disclose to investors that the LSBPA Notes were not registered or that they were required to be registered with the Bureau, in violation of the Securities Law;
 - ii. Failing to disclose to investors that Michael Kwasnik, Joseph Schifano and Daniel McCorry were not registered with the Bureau to sell securities, in violation of the Securities Law;
 - iii. Failing to disclose to investors that their investment funds would be used to, among other things, make monthly interest payments to existing investors and other purposes contrary to what was disclosed to investors; and
 - iv. Misrepresenting, falsely stating or failing to disclose the true nature and risk of the LSBPA Note investment by telling investors that:
 - a. their investment in the LSBPA Notes was a good and sound investment;
 - b. they would not lose their investment principal;

- c. their investment funds would be safe and not be at risk;
 - d. their investment would be collateralized and secured by life insurance policies;
 - e. their investment funds would be used to purchase life insurance policies, life settlements and/or beneficial interests of life insurance policies owned by irrevocable life insurance trusts;
 - f. their investment in the LSBPA Notes would be set up like an IRA;
 - g. their monthly payments would be guaranteed; and
 - h. their then-existing investments were not doing well and that the LSBPA Notes were a better investment.
18. Michael Kwasnik, Joseph Schifano and Daniel McCorry, in connection with the offer and sale of the securities, made untrue statements of material facts and/or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading in violation of N.J.S.A. 49:3-52(b) by, among other things:
- a. Failing to disclose to investors that the LSBPA Notes were not registered or that they were required to be registered with the Bureau, in violation of the Securities Law;
 - b. Failing to disclose Joseph Schifano's and Daniel McCorry's past negative regulatory, including that they were enjoined from violating the Securities Law;

- c. Failing to disclose to investors that Michael Kwasnik, Joseph Schifano and Daniel McCorry were not registered with the Bureau to sell securities, in violation of the Securities Law;
- d. Failing to disclose to investors that their investment funds would be used to, among other things, make monthly interest payments to existing investors and other purposes contrary to what was disclosed to investors; and
- e. Misrepresenting, falsely stating or failing to disclose the true nature and risk of the LSBPA Note investment by telling investors that:
 - i. their investment in the LSBPA Notes was a good and sound investment;
 - ii. they would not lose their investment principal;
 - iii. their investment funds would be safe and not be at risk;
 - iv. their investment would be collateralized and secured by life insurance policies;
 - v. their investment funds would be used to purchase life insurance policies, life settlements and/or beneficial interests of life insurance policies owned by irrevocable life insurance trusts;
 - vi. their investment in the LSBPA Notes would be set up like an IRA;
 - vii. their monthly payments would be guaranteed; and
 - viii. their then-existing investments were not doing well and that the LSBPA Notes were a better investment.

19. Joseph Schifano and Daniel McCorry's practice or course of business of using false statements, material misrepresentations and omissions in connection with the offer and sale of the securities, operated as a fraud or deceit upon investors in violation of N.J.S.A. 49:3-52(c).
20. Michael Kwasnik's practice or course of business of using false statements, material misrepresentations and omissions in connection with the offer and sale of the securities, and otherwise directing investor funds to be used for purposes not disclosed to them, operated as a fraud or deceit upon investors in violation of N.J.S.A. 49:3-52(c).
21. Michael Kwasnik, Joseph Schifano and Daniel McCorry engaged in the acts and practices alleged in the First Amended Verified Complaint.
22. The acts and practices of Michael Kwasnik, Joseph Schifano and Daniel McCorry constitute violations of the Securities Law.
23. For each violation of the Securities Law, Michael Kwasnik, Joseph Schifano and Daniel McCorry should be assessed a penalty of \$10,000 for the first violation and \$20,000 for each subsequent violation under N.J.S.A. 49:3-70.1. Defendants committed 549 total violations, as follows:
 - a. Michael Kwasnik committed 365 violations of N.J.S.A. 49:3-52(a), N.J.S.A. 49:3-52(b), N.J.S.A. 49:3-52(c), N.J.S.A. 49:3-56(a), and N.J.S.A. 49:3-60 in connection with seventy-three (73) securities transactions;
 - b. Joseph Schifano committed ninety-two (92) violations of N.J.S.A. 49:3-52(b), N.J.S.A. 49:3-52(c), N.J.S.A. 49:3-56(a) and N.J.S.A. 49:3-60 in connection with twenty-three (23) securities transactions; and
 - c. Daniel McCorry committed ninety-two (92) violations of N.J.S.A. 49:3-52(b),

N.J.S.A. 49:3-52(c), N.J.S.A. 49:3-56(a), and N.J.S.A. 49:3-60 in connection with twenty-three (23) securities transactions.

THEREFORE, IT IS on this 19TH day of OCTOBER, 2015 **ORDERED THAT:**

24. Final judgment by default is granted to Plaintiff as to **Count I** of the First Amended Verified Complaint against Michael Kwasnik, who is found to have employed a device, scheme, or artifice to defraud in violation of N.J.S.A. 49:3-52(a);
25. Final judgment by default is granted to Plaintiff as to **Count II** of the First Amended Verified Complaint against Michael Kwasnik and Daniel McCorry, who are found to have made untrue statements of material facts and/or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading in violation of N.J.S.A. 49:3-52(b);
26. Summary judgment is granted to Plaintiff as to **Count II** of the First Amended Verified Complaint against Joseph Schifano, who is found to have made untrue statements of material facts and/or omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading in violation of N.J.S.A. 49:3-52(b);
27. Final judgment by default is granted to Plaintiff as to **Count III** of the First Amended Verified Complaint against Michael Kwasnik and Daniel McCorry, who are found to have engaged in an act or practice which operated or would operate as a fraud or deceit upon a person in violation of N.J.S.A. 49:3-52(c);
28. Summary judgment is granted to Plaintiff as to **Count III** of the First Amended Verified Complaint against Joseph Schifano, who is found to have engaged in an act or practice which operated or would operate as a fraud or deceit upon a person in violation of N.J.S.A. 49:3-52(c);

29. Final judgment by default is granted to Plaintiff as to **Count IV** of the First Amended Verified Complaint against Michael Kwasnik and Daniel McCorry, who are found to have acted as agents without registration in violation of N.J.S.A. 49:3-56(a);
30. Summary judgment is granted to Plaintiff as to **Count IV** of the First Amended Verified Complaint against Joseph Schifano, who is found to have acted as an agent without registration in violation of N.J.S.A. 49:3-56(a);
31. Final judgment by default is granted to Plaintiff as to **Count VII** of the First Amended Verified Complaint against Michael Kwasnik and Daniel McCorry, who are found to have sold unregistered securities in violation of N.J.S.A. 49:3-60;
32. Summary judgment is granted to Plaintiff as to **Count VII** of the First Amended Verified Complaint against Joseph Schifano, who is found to have sold unregistered securities in violation of N.J.S.A. 49:3-60;
33. Michael Kwasnik is assessed a civil monetary penalty in the amount of ~~Six Million One Hundred and Ninety Eight Thousand Dollars (\$6,198,000.00)~~ ^{\$3,650,000} for violating the Securities Law in accordance with N.J.S.A. 49:3-70.1;
34. Joseph Schifano is assessed a civil monetary penalty in the amount of ~~One Million Two Hundred and Eighty Four Thousand Dollars (\$1,284,000.00)~~ ^{\$920,000} for violating the Securities Law in accordance with N.J.S.A. 49:3-70.1;
35. Daniel McCorry is assessed a civil monetary penalty in the amount of ~~One Million One Hundred and Two Thousand Dollars (\$1,102,000.00)~~ ^{\$920,000} for violating the Securities Law in accordance with N.J.S.A. 49:3-70.1;
36. Michael Kwasnik, Joseph Schifano and Daniel McCorry are jointly and severally liable to Plaintiff for restitution in the amount of Eight Million Six Hundred and Seven Thousand Six Hundred and Four Dollars and Forty-Eight cents (\$8,607,604.48) for losses incurred by individuals who invested in LSBPA Notes;
37. Final judgment is entered against Michael Kwasnik in the amount of ~~Fourteen Million Eight Hundred and Five Thousand and Six Hundred and Four Dollars and forty-eight~~


- \$12,257,604.48
- ~~cents (\$14,805,604.48), constituting Eight Million Six Hundred and Seven Thousand Six Hundred and Four Dollars and Forty-Eight cents (\$8,607,604.48) in restitution pursuant to N.J.S.A. 49:3-69(a) and Six Million One Hundred and Ninety Eight Thousand Dollars (\$3,650,000) (\$6,198,000.00) as a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1;~~
38. Final judgment is entered against Joseph Schifano in the amount of ~~Nine Million Eight Hundred and Ninety One Thousand Six Hundred and Four Dollars and Forty Eight cents (\$9,891,604.48)~~ \$9,527,604.48, constituting Eight Million Six Hundred and Seven Thousand Six Hundred and Four Dollars and Forty-Eight cents (\$8,607,604.48) in restitution pursuant to N.J.S.A. 49:3-69(a) and ~~one million two hundred and eighty four thousand dollars (\$1,284,000.00)~~ \$920,000 as a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1;
39. Final judgment is entered against Daniel McCorry in the amount of ~~Nine Million Seven Hundred and Nine Thousand Six Hundred and Four Dollars and Forty Eight cents (\$9,709,604.48)~~ \$9,527,604.48, constituting Eight Million Six Hundred and Seven Thousand Six Hundred and Four Dollars and Forty-Eight cents (\$8,607,604.48) in restitution pursuant to N.J.S.A. 49:3-69(a) and ~~One Million One Hundred and Two Thousand Dollars (\$1,102,000.00)~~ \$920,000 as a civil monetary penalty pursuant to N.J.S.A. 49:3-70.1;
40. Payment of the final judgment amounts shall be made by attorney trust fund account check, certified check or other guaranteed funds, made payable to the "State of New Jersey, Bureau of Securities" and delivered to the attention of the Bureau Chief, at the following address: Bureau of Securities, 153 Halsey Street, 6th Floor, Newark, New Jersey 07102;
41. Any restitution payments made by Joseph Schifano, Michael Kwasnik, and/or Daniel McCorry in the instant state court matter that are received by the Bureau shall be subject to and distributed in accordance with the January 9, 2015 "Final Judgment and Consent Order as to Defendants Liberty State Financial Holdings Corp. and Liberty State Benefits of Pennsylvania, Inc." ("January 9, 2015 Consent Order"). Accordingly, any restitution payments made by Joseph Schifano, Michael Kwasnik, and/or Daniel McCorry in the

instant state court matter for the benefit of any person identified as an investor on Exhibit A of the January 9, 2015 Consent Order shall be paid to the assignee of any such an investor, including the New Jersey Lawyers' Fund for Client Protection ("the Client Protection Fund").

42. Defendants Joseph Schifano, Michael Kwasnik, and Daniel McCorry, individually and by or through any corporation, business entity, agent, employee, broker, partner, officer, director, attorney, stockholder and/or any other person who is directly or indirectly under their control or direction, are permanently restrained and enjoined from directly or indirectly violating the Securities Law and, specifically, from:
- a. violating the Securities Law, including its antifraud provisions, N.J.S.A. 49:3-52(a) - (d);
 - b. engaging in the securities business in New Jersey in any capacity including, but not limited to, an agent as defined in N.J.S.A. 49:3-49(b), a broker-dealer as defined in N.J.S.A. 49:3-49(c), an investment adviser as defined in N.J.S.A. 49:3-49(g), and an investment adviser representative as defined in N.J.S.A. 48:3-49(s);
 - c. issuing, offering for sale or selling, offering to purchase or purchasing, distributing, promoting, advertising, soliciting, negotiating, advancing the sale of and/or promoting securities, or advising regarding the sale of any securities, in any manner to, from or within New Jersey;
 - d. engaging in the conduct described in the First Amended Verified Complaint;
 - e. acting as an officer and/or director of an issuer, or from supervising employees of an issuer or controlling any issuer that offers and/or sells any security;
 - f. applying to the Bureau to be a broker-dealer, an agent, investment adviser, or investment adviser representative as defined by the Securities Law;

- g. recommending the purchase and/or sale of any investment including, promissory notes;
- h. raising any capital in any form for any: (i) issuer; (ii) managing member of any issuer; and (iii) general partner or other controlling person or entity, of any issuer;
- i. managing or exercising control over investments and assets for any: (i) issuer; (ii) managing member of any issuer; and (iii) general partner or other control person or entity, of any issuer; and
- j. engaging in any investor relations and/or communications for or on behalf of any: (i) issuer; (ii) managing member of any issuer; and (iii) general partner of any issuer.

43. Plaintiff's counsel shall serve a copy of this Order upon all parties or their counsel within 7 days of Plaintiff's counsel's receipt of same.


 Honorable Thomas M. Moore, J.S.C.

This motion was:

X opposed _____ unopposed.