

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT ADVISERS ACT OF 1940
Release No. 3697 / October 21, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15579

In the Matter of

STEPHEN E. GAGNON,

Respondent.

**ORDER INSTITUTING ADMINISTRATIVE
PROCEEDINGS PURSUANT TO SECTION
203(f) OF THE INVESTMENT ADVISERS
ACT OF 1940
AND NOTICE OF HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Stephen E. Gagnon (“Respondent” or “Gagnon”).

II.

After an investigation, the Division of Enforcement alleges that:

A. RESPONDENT

1. Gagnon, age 47, is a resident of Riverside, Rhode Island.

2. From August 2010 through March 2013, Gagnon was associated with CCO Investment Services Corp. (“CCO”), an investment adviser and broker-dealer registered with the Commission. From January 1996 through August 2010, Gagnon was associated, successively, with five other entities dually registered with the Commission as broker-dealers and investment advisers including, from January 2006 to July 2009, LPL Financial Corporation (“LPL”), and, from July 2001 to January 2006, Commonwealth Financial Network (“Commonwealth Financial”). Prior to that, Gagnon was associated with broker-dealers registered with the Commission from November 1994 through December 1995 and from December 1989 through March 1990. Gagnon was also

associated, at separate times during the period April 2002 through October 2006, with two investment advisers registered with the state of Rhode Island.

B. ENTRY OF THE FINAL STATE ORDER

2. On March 25, 2013, the Rhode Island Department of Business Regulation, an agency which, among other things, performs similar functions to a state securities commission, entered a consent order entitled *In the Matter of Stephen E. Gagnon*, DBR No. 125C086 (“Rhode Island Order”) against Gagnon. The Rhode Island Order found that Gagnon violated, among others, the anti-fraud provisions of Rhode Island’s securities laws and certain Rhode Island laws concerning insurance producers. The Rhode Island Order, among other things, required Gagnon to cease and desist from any further violations of those laws, revoked Gagnon’s investment adviser representative and insurance producer licenses, and stated that Gagnon shall have the right to apply for re-registration as a broker-dealer, sales representative, insurance producer, investment adviser, and/or investment adviser representative in the state of Rhode Island after ten years.

3. According to the Rhode Island Order, Gagnon admitted to the following facts: In April 2011, a CCO customer who in April 2004 had purchased a variable annuity sold by Gagnon when he was associated with Commonwealth Financial complained to the Rhode Island Department of Business Regulation’s Division of Securities. The customer’s complaint alleged that in July 2007, Gagnon, while associated with LPL, convinced her to terminate the original variable annuity and replace it with two other variable annuities that were, among other things, inappropriate investments for someone of her age. The customer further alleged that she was subjected to charges in excess of \$18,000 for termination of the original variable annuity. The customer further alleged that a signature in her name, dated July 16, 2007, which appeared on the client signature line of a disclosure document required by LPL for annuity replacements, was not in fact her signature. Gagnon’s name and an illegible signature, also dated July 16, 2007, appeared on the branch manager lines of the same disclosure document. Gagnon agreed to enter into the Order without contesting the allegations and before any evidentiary hearing.

4. The Rhode Island Order constitutes a final order of a state securities commission (or agency or officer performing like functions) that (i) is based on violations of laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct and/or (ii) imposes a bar from association with an entity regulated by such state securities commission or from engaging in the business of securities or insurance.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative proceedings be instituted to determine:

A. Whether the allegations set forth in Section II hereof are true and, in connection therewith, to afford Respondent an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondent pursuant to Section 203(f) of the Advisers Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that Respondent shall file an Answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Respondent personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 210 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Elizabeth M. Murphy
Secretary