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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES
PA DEPARTMENT OF
BANKING AND SECURITIES

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND
SECURITIES, BUREAU OF SECURITIES
LICENSING, COMPLIANCE AND
EXAMINATIONS

v.

INVESTORS CAPITAL CORP.

DOCKET No. 16 0045 (SEC-CAO)

CONSENT AGREEMENT AND ORDER

The Commonwealth of Pennsylvania, acting through the Department of Banking and Securities ("Department"), Bureau of Securities Licensing, Compliance and Examinations ("Bureau") has conducted an investigation of the business practices of Investors Capital Corp. ("ICC"). Based on the results of its investigation, the Bureau has concluded that ICC has operated in violation of the Pennsylvania Securities Act of 1972, 70 P.S. § 1-101 et. seq. ("1972 Act"). ICC, in lieu of litigation, and without admitting or denying the allegations herein, and intending to be legally bound, hereby agrees to the terms of this Consent Agreement and Order ("Order").

BACKGROUND

1. The Department is the Commonwealth of Pennsylvania's administrative agency authorized and empowered to administer and enforce the 1972 Act.
2. The Bureau is primarily responsible for administering and enforcing the 1972 Act for the Department.
3. ICC, CRD # 30613, was, at all times material herein, a Massachusetts corporation with an address at 230 Broadway, Lynnfield, Massachusetts 01940 and 6 Kimball Lane, Lynnfield, Massachusetts 01940.

4. At all times material herein, ICC was in the business of effecting transactions in securities in Pennsylvania as a “broker-dealer” within the meaning of Section 102(e) of the 1972 Act 70 P.S. § 1-102(e) and was registered pursuant to Section 301 of 1972 Act, 70 P.S. § 1-301.

5. From on or about July 16, 2010, to May 21, 2014, Patricia S. Miller (“Miller”), CRD # 2302464, was registered as an “agent” pursuant to Section 301 of 1972 Act, 70 P.S. § 1-301 with ICC.

6. On or about May 21, 2014, Miller was terminated for cause by ICC after ICC had received a complaint from an individual who had invested in fraudulent partnerships that Miller had set up which were represented by Miller as being investments with ICC.

7. On or about May 21, 2014, ICC also learned that Miller’s activities involved numerous other investors and reported her activities to the United States Attorney’s Office.

8. In or about July, 2014, the Department commenced an examination (“Exam”) of ICC as a result of Miller’s activities.

9. On or about March 27, 2015, Miller was sentenced to 6 years in prison and three years of supervised release by the United States District Court for the District of Massachusetts after pleading guilty to five counts of mail fraud in relation to the fraudulent scheme she had engaged in while employed with ICC and a prior broker-dealer which involved over 4.1 million in investor funds and over 80 different investors.

10. As a result of the Department’s Exam and subsequent investigation, evidence was obtained indicating that ICC had failed to reasonably supervise the securities activities of Miller, including but not limited to a failure to conduct an adequate background check of Miller prior to hiring her and a failure to adequately follow up on various red flags connected to Millers activities as a registered representative with ICC.

VIOLATION

11. By engaging in the acts and conduct set forth in paragraphs 4 through 10 above, ICC failed to reasonably supervise its agent whose acts and conduct form a basis to sanction ICC pursuant to Section 305(a)(vii) of the 1972 Act, 70 P.S. § 1-305(a)(vii).

AUTHORITY

12. Because ICC has failed to reasonably supervise its agent pursuant to Section 305(a)(vii) of the 1972 Act, the Department has the authority to deny, suspend, revoke or condition the registration of ICC or censure ICC.

13. Because ICC has failed to reasonably supervise its agent pursuant to Section 305(a)(vii) of the 1972 Act, the Department has the authority to order ICC to pay the costs of the investigation and also order ICC to pay an administrative assessment of up to \$100,000 for each act or omission that constitutes a violation, *see* 70 P.S. § 1-602.1(b) and 70 P.S. § 1-602.1(c)(1)(i).

RELIEF

14. Contemporaneously with the submission of an executed Order, Investors Capital Corp. shall pay the Department's investigative and legal costs in the amount of \$7,500. Payment shall be made by certified check or money order made payable to the "Department of Banking and Securities" and shall be mailed or delivered, in person, to the Bureau of Securities Licensing, Compliance and Enforcement located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

15. Contemporaneously with the submission of an executed Order, Investors Capital Corp. shall pay the Department an administrative assessment in the amount of \$100,000. Payment

shall be made by certified check or money order made payable to the "Department of Banking and Securities" and shall be mailed or delivered, in person, to the Bureau of Securities Licensing, Compliance and Enforcement located at 17 N. Second Street, Suite 1300, Harrisburg, PA 17101.

16. Investors Capital Corp. is ORDERED to comply with the 1972 Act, and Regulations adopted by the Department, and in particular Section 305(a)(vii), 70 P.S. § 1-305(a)(vii).

17. Should Investors Capital Corp. fail to pay investigative and legal costs and the assessment as set forth in paragraphs 14 and 15 above, the sanctions set forth elsewhere in the Order shall continue in full force and effect until full payment is made. However, this provision shall not be construed as affording Investors Capital Corp. the option of either paying the costs and the assessment or being indefinitely subjected to the sanctions.

18. Should Investors Capital Corp. fail to comply with any and all provisions of this Order, the Department may impose additional sanctions and costs and seek other appropriate relief subject to Investors Capital Corp.'s right to a hearing pursuant to the 1972 Act.

FURTHER PROVISIONS

19. Consent. ICC hereby knowingly, willingly, voluntarily and irrevocably consents to the entry of this Order pursuant to the Bureau's authority under the 1972 Act and agrees that it understands all of the terms and conditions contained herein. ICC, by voluntarily entering into this Order, waives any right to a hearing or appeal concerning the terms, conditions and/or penalties set forth in this Order.

20. Entire Agreement. This Order contains the entire agreement between the Department and ICC. There are no other terms, obligations, covenants, representations,

statements, conditions, or otherwise, of any kind whatsoever concerning this Order. This Order may be amended in writing by mutual agreement by the Department and ICC. This Order concludes the investigation by the Department and any other action that the Department could commence against ICC under applicable Pennsylvania law as it relates to ICC's supervision of Miller.

21. Binding Nature. The Department, ICC, and all officers, owners, directors, employees, heirs and assigns of ICC intend to be and are legally bound by the terms of this Order.

22. Counsel. This Order is entered into by the parties upon full opportunity for legal advice from legal counsel.

23. Effectiveness. ICC hereby stipulates and agrees that the Order shall become effective on the date that the Bureau executes the Order ("Effective Date").

24. Other Enforcement Action.

(a) The Department reserves all of its rights, duties, and authority to enforce all statutes, rules and regulations under its jurisdiction against ICC in the future regarding all matters not resolved by this Order.

(b) ICC acknowledges and agrees that this Order is only binding upon the Department and not any other local, state or federal agency, department or office regarding matters within this Order.

25. Authorization. The parties below are authorized to execute this Order and legally bind their respective parties.

26. Counterparts. This Order may be executed in separate counterparts, by facsimile and by PDF.

27. Titles. The titles used to identify the paragraphs of this document are for the convenience of reference only and do not control the interpretation of this document.

28. Finding. The Department finds that it is necessary and appropriate in the public interest and for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the 1972 Act to issue this Order.

WHEREFORE, in consideration of the foregoing, including the recital paragraphs, the Commonwealth of Pennsylvania, Department of Banking and Securities, Bureau of Securities Licensing, Compliance and Examinations and Investors Capital Corp., intending to be legally bound, do hereby execute this Consent Agreement and Order.

**FOR THE COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF BANKING AND SECURITIES
BUREAU OF SECURITIES LICENSING, COMPLIANCE AND ENFORCEMENT**

Redacted
Chief, Western Region
Department of Banking and Securities

Date: 8/12/16

FOR INVESTORS CAPITAL CORP.

Redacted
(Officer Signature)

Timothy B. Murphy
(Print Officer Name)

C.E.O
(Title)

Date: 8/2/2016

