

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011025319501**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Investors Capital Corp. (BD No. 30613),
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Investors Capital Corp. ("ICC" or the "Respondent") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against it alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

ICC is an independent, full-service broker-dealer, offering brokerage services and financial planning to customers. It has been a FINRA member since 1992. The Firm is headquartered in Lynnfield, Massachusetts, and employs approximately 539 registered persons, who operate from 325 branch offices.

RELEVANT DISCIPLINARY HISTORY

In October 2011, ICC entered into an AWC with FINRA (Case No. 2009018609501) in which it agreed, without admitting or denying the findings, to a censure and restitution to customers in the amount of \$400,115 for selling private placement offerings without having a reasonable supervisory system and Written Supervisory Procedure ("WSPs") in place regarding such offerings. As a result, the Firm violated NASD Conduct Rules 3010 and 2110.

In June 2011, ICC entered into an AWC with FINRA (Case No. 2007011545201) in which it agreed, without admitting or denying the findings, to a censure and a \$200,000 fine for failing to establish a reasonable supervisory system and WSPs regarding the sale of collateralized mortgage obligations to customers in violation

of NASD Conduct Rules 3010 and 2110. The Firm also failed to offer educational materials to customers as required by NASD Interpretive Memorandum 2210-8.

ICC has no other relevant formal disciplinary history with the Securities and Exchange Commission, any state securities regulator or any self-regulatory organization.

OVERVIEW

From at least about June 2009 through April 2011 (the "Relevant Time Period"), ICC failed to provide prospectuses to customers who purchased exchange traded funds ("ETFs"). ICC also failed to establish, maintain and enforce an adequate supervisory system, including WSPs, concerning the sale of ETFs and the Firm's obligations to provide ETF prospectuses to customers. By reason of the foregoing, ICC acted in contravention of Section 5(b)(2) of the Securities Act of 1933 ("Securities Act") and thereby violated FINRA Rule 2010, and also violated NASD Conduct Rule 3010 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

1. Under Section 5(b)(2) of the Securities Act, delivery of ETFs is prohibited unless such delivery is accompanied by, or preceded by, a copy of a prospectus that meets the requirements of the Securities Act. During the Relevant Time Period, ICC failed to ensure delivery of ETF prospectuses to customers. ICC sold approximately 64,400 ETFs to 7,300 customers during the Relevant Time Period. By failing to ensure delivery of ETF prospectuses during the Relevant Time Period, ICC acted in contravention of Section 5(b)(2) of the Securities Act and thereby violated FINRA Rule 2010.
2. During the Relevant Time Period, ICC also failed to establish an adequate supervisory system, including WSPs, concerning the sale of ETFs and the Firm's obligations to provide ETF prospectuses to customers. ICC had no procedures directly concerning the sale of ETFs or the Firm's obligations to provide ETF prospectuses to customers. The Firm also permitted representatives to sell ETFs before completing any firm mandated training. By reason of the foregoing, ICC violated NASD Conduct Rule 3010 and FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure; and
- a \$100,000 fine.

ICC agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. ICC has submitted an

Election of Payment form showing the method by which it proposes to pay the fine imposed.

ICC specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and

until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against it;
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party; and
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Respondent to submit it.

2/26/2014
Date (mm/dd/yyyy)

Investors Capital Corp.

By: [Signature]

Name: John Petalida

Title: CCO

Accepted by FINRA:

3/7/2014
Date

Signed on behalf of the
Director of ODA, by delegated authority

[Signature]

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