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Texas State Securities Board

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IN THE MATTER OF
THE DEALER REGISTRATION OF
INVESTORS CAPITAL CORP. AND
THE AGENT REGISTRATIONS OF
ROBERT EDWARD GROUX SR. AND
NOEL RAY VINCENT §

Order No. IC09-SUS-15

TO: Timothy B. Murphy, CCO
Investors Capital Corp. (CRD No. 30613)
230 Broadway East 203
Lynnfield, MA 01940

Robert Edward Groux Sr. (CRD No. 4947184)
Investors Capital Corp.
230 Broadway East 203
Lynnfield, MA 01940

Noel Ray Vincent (CRD No. 1370987)
Investors Capital Corp.
230 Broadway East 203
Lynnfield, MA 01940

DISCIPLINARY ORDER

Be it remembered that Investors Capital Corp., by and through Timothy B. Murphy, its Chief Compliance Officer, ("Respondent ICC"), Robert Edward Groux Sr. ("Respondent Groux"), and Noel Ray Vincent ("Respondent Vincent") (collectively "Respondents"), appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this order ("Order") and Undertaking ("Undertaking") and the Findings of Fact and Conclusions of Law contained herein.

FINDINGS OF FACT

1. Respondents have waived (a) Respondents' right to notice and hearing in this matter; (b) Respondents' right to appear and present evidence in this matter; (c) Respondents' right to appeal this Order; and (d) all other procedural rights granted to Respondents by The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2008) ("Texas Securities Act") and the Administrative Procedure Act, TEX. GOV'T CODE ANN. § 2001.001 et seq. (Vernon 2000 & Supp. 2008) ("Administrative Procedure Act").
2. On or about January 22, 1993, Respondent ICC registered with the Securities Commissioner as a securities dealer, which is currently effective.
3. On or about October 26, 2005, Respondent Groux registered with the Securities Commissioner as an agent of Respondent ICC, which was terminated on December 31, 2008 due to Respondent ICC's failure to renew such registration. On or about January 2, 2009, Respondent Groux re-applied for registration with the Securities Commissioner as an agent of Respondent ICC, which is currently pending.
4. On or about September 18, 2001, Respondent Vincent registered with the Securities Commissioner as an agent of Respondent ICC, which is currently effective.
5. From on or about May 6, 2008 to on or about May 9, 2008, the Staff of the Texas State Securities Board ("Staff") performed an inspection of the branch of Respondent ICC out of which Respondent Groux and Respondent Vincent conduct securities related business ("Branch Office") ("Inspection").

Failure to Establish, Maintain, and Enforce Written Supervisory Procedures

6. During the course of the Inspection, Staff discovered that blank forms were signed by customers of Respondent Groux and Respondent Vincent and held in the customer's file to be completed at a later time, if necessary, and Respondent ICC's written procedures did not address the use of blank forms signed by customers.
7. During the course of the Inspection, Staff also discovered that when a form was rejected by an issuer or custodian due to a customer's failure to fully complete the form, an administrative assistant was instructed to complete and re-submit the form without the customer's authorization, and Respondent ICC's written procedures did not address the completion of forms on a customer's behalf.
8. During the course of the Inspection, Staff also discovered that when Respondent Vincent was not in the Branch Office, an administrative assistant was authorized to use a rubber stamp of Respondent Vincent's signature on various documents, including customer subscription documents, and Respondent ICC's written procedures did not address the use of a rubber stamp on customer forms.

9. During the course of the Inspection, Staff also discovered that Respondent ICC failed to review outgoing correspondence of the Branch Office, which violated Respondent ICC's written procedures, as follows:
 - (a) "6.4.5 Supervisory Procedures...On a periodic basis, the Field Office Supervisor or designated associated person shall also review each Registered Representative's outgoing written correspondence...shall maintain evidence of their review and the review shall be memorialized in the Field Office Supervisory Log. Copies of each reviewed piece of securities related correspondence must be filed in the office's correspondence file and/or a copy placed in the client file"
10. During the course of the Inspection, Staff also discovered that from on or about December 31, 2008 to on or about February 2009, Respondent ICC failed to notify Respondent Groux that his registration had not been renewed or otherwise prevent him from engaging in activity requiring registration, and Respondent ICC's written procedures did not address prevention of unregistered activity in the event of registration issues.

Suitability and Misrepresentation

11. During the course of the Inspection, Staff also discovered that Respondent Groux placed customers of Respondent ICC in unsuitable investments in light of such customers' age, risk tolerance, time horizon, liquidity needs, and other security holdings.
 - (a) For example, on or about March 2007, Respondent Groux recommended an elderly retired couple supporting a disabled daughter and grandchild, with low to moderate risk tolerance, and annual income of approximately \$30,000, invest almost all of their liquid net worth in alternative, illiquid investments including real estate investment trusts and equipment leasing partnerships, including one investment for which the couple did not qualify due to minimum income requirements. Further, in connection with such investments, the couple incurred substantial variable annuity surrender charges on the sale of their previous investments.
 - (b) For example, on or about September 2007, Respondent Groux recommended a single retiree with a moderate risk tolerance, annual income of approximately \$30,000, and stated concerns regarding income sufficiency, invest almost all of her liquid net worth in an alternative, illiquid real estate investment trust. Further, the client was forced to liquidate the investment within the first year due to a need for additional funds and incurred substantial penalties.
12. The customers of Respondent Groux referenced in (a) and (b) above represented to Staff that Respondent Groux misrepresented and/or failed to adequately disclose securities' risk, liquidity, and surrender charges and/or penalties, which violated Respondent ICC's written procedures, as follows:

- (a) "6.1.1 Policy...All communications with the public, regardless of form, should be honest, accurate and professional in style and appearance."

Failure to Update Form BR and Form U-4

13. During the course of the Inspection, Staff discovered that Respondent Groux and Respondent Vincent conduct securities related business under the name Senior Partners, LLC, however Respondent ICC failed to disclose the name on the Form BR as required.
14. Respondents received a complaint from a customer ("Complainant") between October 25, 2007 and January 11, 2008 ("Complaint"), however Respondents failed to disclose the Complaint on Respondent Groux's and Respondent Vincent's Form U-4s as required until April 25, 2008, which violated Respondent ICC's written procedures, as follows:
 - (a) "4.1.1. *iii Maintenance*...Registered persons are responsible for ensuring that information on their registration form is accurate and current..."
 - (b) "4.1.4. *iii Maintenance*...Field Office Supervisors have responsibility for implementing Investors Capital's supervisory procedures to ensure that Registered Persons, as required, amend their Form U-4 in a timely manner (i.e., within thirty days)."
15. Pursuant to Section 14.A(3) of the Texas Securities Act, the Securities Commissioner may reprimand or suspend a person registered under the Texas Securities Act if the person has engaged in any inequitable practice in the sale of securities.
16. Pursuant to Section 14.A(6) of the Texas Securities Act, the Securities Commissioner may reprimand or suspend a person registered under the Texas Securities Act if the person has violated any of the provisions of the Rules and Regulations of the State Securities Board ("Board Rules").
17. Pursuant to Section 23-1 of the Texas Securities Act, the Securities Commissioner may assess an administrative fine against any person found to have engaged in an act or practice that violates the Board Rules.
18. Pursuant to §101.2(c) and §133.33(a)(3)&(11) of the Board Rules, certain forms required to be filed with the Securities Commissioner, including the Forms U-4 and BR, have been adopted as Board Rules and have the same force and effect.
19. Pursuant to §115.9(a)(6) of the Board Rules, each registered securities dealer and registered agent shall report to the Securities Commissioner, within thirty (30) days, any change in any information previously disclosed to the Securities Commissioner on any application form or filing, which includes the Forms U-4 and BR.

20. Pursuant to §115.10(b)(1) of the Board Rules, each dealer shall establish, maintain, and enforce written procedures to supervise the activities of its agents that are reasonably designed to achieve compliance with the Texas Securities Act and Board Rules.

UNDERTAKING

1. Respondent ICC undertakes and agrees:
 - (a) that within fifteen (15) days from the date this Order is signed by or on behalf of the Securities Commissioner, Respondent ICC will pay the amount of \$21,610.13 to the Complainant referenced in this Order;
 - (b) that within twenty-five (25) days from the date this Order is signed by or on behalf of the Securities Commissioner, Respondent ICC will provide the Director of the Inspections & Compliance Division of the Texas State Securities Board evidence of such payment;
 - (c) that within thirty (30) days from the date this Order is signed by or on behalf of the Securities Commissioner, Respondent ICC will make a good faith and binding offer ("Offer") to effect the withdrawal of all investments in United Development Funding III, LP for the Complainant referenced in this Order; and
 - (d) that within forty (40) days from the date this Order is signed by or on behalf of the Securities Commissioner, Respondent ICC will provide the Director of the Inspections & Compliance Division of the Texas State Securities Board evidence of such Offer.

CONCLUSIONS OF LAW

1. Respondent Groux's and Respondent Vincent's failure to have all forms and documents completed prior to obtaining the customer's signature constitutes an inequitable practice in the sale of securities and is a basis for the issuance of an order reprimanding and suspending an agent pursuant to Section 14.A(3) of the Texas Securities Act.
2. Respondents' having an administrative assistant add missing information to incomplete forms without a customer's authorization, including but not limited to initialing on a customer's behalf, constitutes an inequitable practice in the sale of securities and is a basis for the issuance of an order reprimanding and suspending an agent pursuant to Section 14.A(3) of the Texas Securities Act.
3. Respondent Vincent's authorization that an administrative assistant use a rubber stamp on customer documents at a time when Respondent ICC's written procedures did not address such use constitutes an inequitable practice in the sale of securities and is a basis for the issuance of an order reprimanding and suspending an agent pursuant to Section 14.A(3) of the Texas Securities Act.

4. Respondent ICC's failure to establish adequate written supervisory procedures regarding use of blank forms, completion of missing client information on forms, use of a rubber stamp, and prevention of unregistered activity in the event of registration issues are violations of §115.10(b)(1) of the Board Rules.
5. Respondent ICC's failure to enforce its written supervisory procedures regarding review of outgoing correspondence and communications with the public are violations of §115.10(b)(1) of the Board Rules.
6. Respondent Groux's placing customers of Respondent ICC in unsuitable investments constitutes an inequitable practice in the sale of securities and is a basis for the issuance of an order reprimanding and suspending an agent pursuant to Section 14.A(3) of the Texas Securities Act.
7. Respondent Groux's misrepresentation and/or failure to adequately disclose material information to customers constitutes an inequitable practice in the sale of securities and is a basis for the issuance of an order reprimanding and suspending an agent pursuant to Section 14.A(3) of the Texas Securities Act.
8. Respondent Groux's failure to comply with Respondent ICC's written procedures regarding communications with the public constitutes an inequitable practice in the sale of securities and is a basis for the issuance of an order reprimanding and suspending an agent pursuant to Section 14.A(3) of the Texas Securities Act.
9. Respondent ICC's failure to disclose the name Senior Partners, LLC on the Form BR within thirty days is a violation of §115.9(a)(6) the Board Rules.
10. Respondents' failure to report the Complaint on Respondent Groux's and Respondent Vincent's Form U-4s within thirty days is a violation of §115.9(a)(6) of the Board Rules.
11. Pursuant to Section 14.A(6) of the Texas Securities Act, the foregoing violations constitute bases for the issuance of an order reprimanding or suspending an agent and dealer.
12. Pursuant to Section 23-1 of the Texas Securities Act, the foregoing violations constitute bases for the issuance of an order assessing an administrative fine against an agent and dealer.

ORDER

1. It is therefore ORDERED that the registration of Robert Edward Groux Sr. as an agent of Investors Capital Corp. is hereby GRANTED.
2. It is further ORDERED that Investors Capital Corp., Robert Edward Groux Sr., and Noel Ray Vincent are hereby REPRIMANDED.

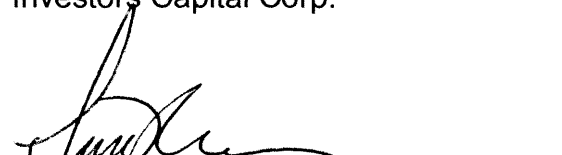
3. It is further ORDERED that Investors Capital Corp. is ASSESSED AN ADMINISTRATIVE FINE in the amount of Ten Thousand Dollars (\$10,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Ten Thousand Dollars (\$10,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
4. It is further ORDERED that the registration of Robert Edward Groux Sr. is hereby SUSPENDED for a period of two (2) business days from the date this Order is entered by the Securities Commissioner. In the event that the registration of Robert Edward Groux Sr. is terminated before the end of this period, the suspension period will be tolled from the date that the registration of Robert Edward Groux Sr. is terminated to the date when the registration of Robert Edward Groux Sr. is again effective.
5. It is further ORDERED that Robert Edward Groux Sr. is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of Ten Thousand Dollars (\$10,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Ten Thousand Dollars (\$10,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
6. It is further ORDERED that Noel Ray Vincent is hereby ASSESSED AN ADMINISTRATIVE FINE in the amount of Five Thousand Dollars (\$5,000.00). Payment shall be made by delivery of a cashier's check to the Securities Commissioner in the amount of Five Thousand Dollars (\$5,000.00), payable to the State of Texas, contemporaneously with the delivery of this Order.
7. It is further ORDERED that Investors Capital Corp. COMPLY with the terms of the Undertaking contained herein.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 4th
day of August, 2009.

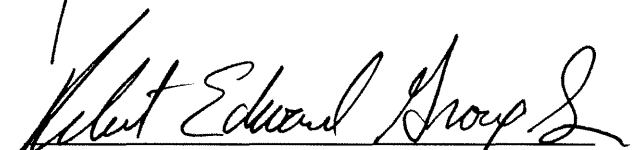

DENISE VOIGT CRAWFORD
Securities Commissioner

Respondents:

Investors Capital Corp.



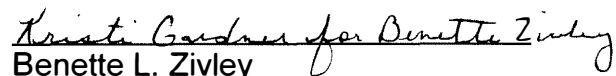
Timothy B. Murphy, CCO




Robert Edward Groux Sr., individually

Noel Ray Vincent, individually

Approved as to Form:



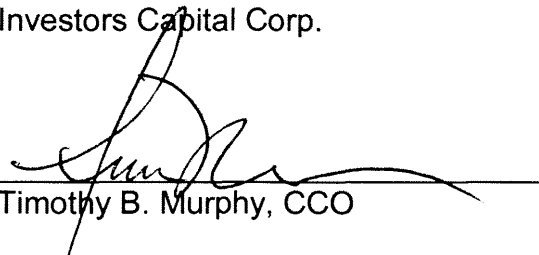
Benette L. Zivley
Director
Inspections and Compliance Division



John G. Cataldo
Attorney for Respondents

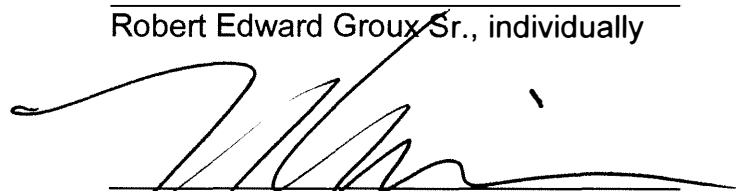
Respondents:

Investors Capital Corp.



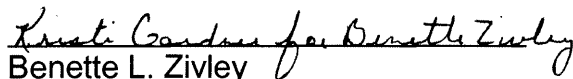
Timothy B. Murphy, CCO

Robert Edward Groux Sr., individually




Noel Ray Vincent, individually

Approved as to Form:



Benette L. Zivley
Director
Inspections and Compliance Division




John G. Cataldo
Attorney for Respondents

ACKNOWLEDGMENT

On the 29 day of July _____ stors Capital Corp.
("Respondent ICC"), by and through Timothy B. Murphy, its Chief Compliance Officer,
appeared before me, executed the foregoing Order and Undertaking, and
acknowledged that:

1. Timothy B. Murphy is duly authorized to enter into the foregoing Order and Undertaking on behalf of Respondent ICC;
2. Timothy B. Murphy has read the foregoing Order and Undertaking;
3. Respondent ICC has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent ICC knowingly and voluntarily consents to the entry of the foregoing Order and Undertaking and the Findings of Fact and Conclusions of Law contained herein; and
5. Respondent ICC, by consenting to the entry of the foregoing Order and Undertaking, has knowingly and voluntarily waived its rights as set forth therein.

[affix notary seal here]



Notary Public in and for
The State of Massachusetts

My commission expires on: 12/18/09

ACKNOWLEDGMENT

On the 28th day of July, 2009, Robert Edward Groux Sr. ("Respondent Groux") personally appeared before me, executed the foregoing Order, and acknowledged that:

1. Respondent Groux has read the foregoing Order;
2. Respondent Groux has been fully advised of his rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent Groux knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and
4. Respondent Groux, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived his rights as set forth therein.



[affix notary seal here]

ACKNOWLEDGMENT

On the 28th day of July, 2009, Noel Ray Vincent ("Respondent Vincent") personally appeared before me, executed the foregoing Order, and acknowledged that:

1. Respondent Vincent has read the foregoing Order;
2. Respondent Vincent has been fully advised of his rights under the Texas Securities Act and the Administrative Procedure Act;
3. Respondent Vincent knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and
4. Respondent Vincent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived his rights as set forth therein.



[affix notary seal here]

Connie J. Reagan
Notary Public in and for
The State of Texas

My commission expires on: 9/16/2012