

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120327824-02**

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

RE: Signator Investors, Inc., Respondent
CRD No. 468

ORIGINAL

Gregory J. Mitchell, Respondent
CRD No. 864670

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents submit 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 Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents hereby accept and consent, 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

Signator Investors Inc.

Signator Investors Inc. ("Signator" or the "Firm") and its predecessor companies, has been a FINRA member since 1968. It is an independent broker-dealer headquartered in Boston, Massachusetts, and conducts a general securities business. Signator currently has approximately 1,555 representatives in 314 branches.

Gregory J. Mitchell

Gregory J. Mitchell ("Mitchell") was associated with Signator and its predecessor companies, from 1976 through June 2015. Between 2009 and 2014 Mitchell served as the Agency Compliance Specialist for the Vienna, Virginia office, where he was located, as well as the Towson, Maryland office. On July 1, 2015,

FINRA received an amended Uniform Termination Notice for Securities Industry Registration from the Firm, stating that Mitchell had been voluntarily terminated from Signator on June 22, 2015. Mitchell is not currently registered with a FINRA regulated broker-dealer.

Although Mitchell is no longer associated with a member firm, pursuant to Article V, Section 4 of FINRA's By-Laws, he remains subject to FINRA's jurisdiction.

RELEVANT DISCIPLINARY HISTORY

Signator has no relevant disciplinary history, and Mitchell has no prior regulatory history.

OVERVIEW

Between May, 2004 and March 2014 ("Relevant Period"), Signator failed to establish, maintain, and enforce a reasonable supervisory system, including written supervisory procedures regarding the use of consolidated reports by its registered representatives. The Firm made a consolidated reporting system available to its registered representatives that allowed the representatives to enter customized values for assets and accounts held away from the Firm into a consolidated report; however, the Firm did not have an adequate supervisory system to review the reports, including the accuracy of manually entered valuations provided to the customers. In addition the Firm failed to follow its procedures regarding the review of incoming and outgoing correspondence. As a result, the Firm violated NASD Rules 3010(a) and (b) and 2110 and FINRA Rule 2010. The Firm also failed to retain certain of the consolidated reports, in violation of Section 17 of the Securities Exchange Act of 1934 and Rule 17a-4 thereunder; NASD Rules 3110, 3010(d)(3), and 2110, and FINRA Rules 4511 and 2010. Finally, the Firm failed to establish, maintain and enforce written supervisory procedures regarding its client file review and branch audit programs, in violation of NASD Rules 3010(b) and (c) respectively, and FINRA Rule 2010.

Between January 2009, when he began his supervisory role, and March 2014, Mitchell failed to enforce the Firm's policies and procedures related to client file reviews and branch audits by providing advance notice of which client files would be reviewed, as well as advance notice of unannounced branch audits to registered representatives. As a result, Mitchell violated NASD Rule 3010(b) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

A consolidated report is a single document that combines information regarding most or all of a customer's financial holdings, regardless of where those assets are held. Consolidated reports supplement, but do not replace customer account statements required pursuant to NASD Rule 2340.

FINRA Regulatory Notice 10-19 reminded member firms that consolidated reports are communications with the public by the firm and must be clear, accurate, and not misleading. Under the notice, firms that allow individual representatives to create consolidated reports were reminded to supervise the activity. For instance, where the consolidated reports reflect assets held away from the firm, the firm was reminded to ensure that registered representatives were taking reasonable steps to accurately reflect information regarding outside accounts and assets. The notice detailed the risks associated with poor safeguards, including use of account information for fraudulent activity, inaccurate reporting causing customers to be misled or confused, reliance by customers on the valuations in dealings with third parties, and misuse of the information by firm personnel.

In May 2004 the Firm made available to its registered representatives the Albridge Wealth Reporting System which enabled a representative to create a consolidated report. The Albridge consolidated reports used by Signator representatives were customizable and included a feature allowing a registered representative to manually input valuations for assets held outside the Firm. In reports where the manual entries were made, the report contained a section designated as "Manual Accounts." In addition, the reports that employed the manual feature contained a specific disclosure, stating that the report included manually entered values.

A. Signator Failed to Establish and Maintain a System to Supervise the Use of Consolidated Reports

NASD Conduct Rule 3010(a) requires each member to establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with FINRA Rules. NASD Rule 3010(b)(1) requires each member, to have written supervisory procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives and associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations. A violation of NASD Rule 3010 also constitutes a violation of NASD Rule 2110 and FINRA Rule 2010, which provide that "[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

1) James Glover's Use of Consolidated Reports

James Glover ("Glover")¹ worked as a registered representative in the Firms Towson, Maryland branch office. The branch was overseen by SP, a Site Partner or branch supervisor, and Mitchell, an Agency Compliance Specialist. As an Agency Compliance Specialist, Mitchell had certain supervisory duties delegated to him, including maintaining the supervisory files for the registered representatives under his jurisdiction, review of electronic and written correspondence, and conducting client file reviews. During the Relevant Period Glover recommended, offered and sold Colonial to at least 125 investors. According to the offering document for Colonial, the offering proceeds were to be used to invest, through Colonial's subsidiaries, in various forms of residential and commercial real estate. Many of these investors were also customers of Signator. Glover failed to disclose his involvement with Colonial to the Firm, or receive permission to sell securities issued by Colonial. Glover was assisted in his activities by Cory D. Williams ("Williams"), another registered representative employed by the Firm and Glover's business partner. Glover and Williams used the Albridge system to send consolidated reports that included the customers' investments at the firm and the Colonial investments. After Glover's termination from the Firm, the Firm found over 300 Albridge reports in his client files which reflected Glover's sale of Colonial. Because the Colonial holdings were included in the body of the consolidated reports, or on extra pages appended to the consolidated reports, it created the false impression that Colonial was a Signator approved investment.

In total, Glover and Williams participated in the sale of approximately \$13.5 million of Colonial. Thus far, arbitrations, litigations and written complaints on behalf of 110 Signator customers have been filed against Glover and the Firm for sales of these unregistered products with damages and attorney's fees totaling more than \$14 million.

2) Deficient Supervision System Regarding Consolidated Reports

i) Failure to Identify Persons Responsible for Reviewing Consolidated Reports

During the Relevant Period the Firm failed to establish, maintain and enforce a reasonable supervisory system regarding the use of consolidated reports by its registered representatives.

¹ On January 18, 2013, Glover was barred from the securities industry for failing to provide testimony to FINRA in violation of FINRA Rules 8210 and 2010 (James Glover, Case No. 2013032782401)

The Firm's procedures did not contain any reference to, or discussion of, supervising consolidated reports or the use of the Albridge system. In fact, the Firm did not have a review process for the Albridge consolidated reports. The lack of procedures led to confusion among the Firm's supervisors regarding who was responsible for reviewing the Albridge consolidated reports. The Firm's Chief Compliance Officer believed that the review of Albridge reports was done at the branch level, by either a Site Partner or Agency Compliance Specialist. The Firm's Director of Compliance for Surveillance characterized the Albridge reports as outgoing written correspondence, presumably being sent through the mail, which would be reviewed by either a Site Partner or Agency Compliance Specialist. However, there were no specific procedures for such reviews and no evidence that they were conducted. In Glover's case, SP and Mitchell believed that the Albridge reports were generally approved for dissemination by the Firm. SP also believed that Albridge reports were a type of account statement and would have to be approved by the Firm's main office.

By virtue of the foregoing, Signator violated NASD Rules 3010(a) and 2110 (for conduct prior to December 15, 2008) and FINRA Rule 2010 (for conduct commencing on December 15, 2008).

ii) Failure to Adequately Review Outgoing Correspondence

During the Relevant Period the Firm failed to follow its procedures regarding the review of incoming and outgoing correspondence.

The Firm's procedures for review of incoming correspondence during the Relevant Period stated that the supervisor should "Open and review all incoming mail and faxes." In addition, the procedures for review of outgoing correspondence require the supervisor to "Review by spot checking outgoing correspondence and faxes." Glover maintained a private fax machine, provided by the Firm, and dedicated to his office. The Firm, through SP and Mitchell, failed to adequately supervise Glover's use of the fax machine, as SP never reviewed any incoming or outgoing faxes from that machine and thought that Mitchell was reviewing them. However, Mitchell was unaware that Glover had a fax machine. In addition, the Firm's procedures did not require a review of the fax machines log on a regular basis, nor did it require a duplicate copy of faxed material to be sent to automatically for review. Therefore, any communications sent from Glover's fax machine were not reviewed.

By virtue of the above, Signator violated NASD Rules 3010(b) and 2110 (for conduct prior to December 15, 2008) and FINRA Rule 2010 (for conduct commencing on December 15, 2008).

iii) Valuation of Manual Entries

The Firm's procedures did not require that the value of outside holdings manually entered into Albridge reports be verified or reviewed by a supervisor before being provided to customers. As a result, no supervisor verified or reviewed valuations associated with manual entries made in any Albridge reports.

By virtue of the above, Signator violated NASD Rules 3010(a) and 2110 (for conduct prior to December 15, 2008) and FINRA Rule 2010 (for conduct commencing on December 15, 2008).

B. Signator Failed to Retain Copies of Consolidated Reports

Section 17 of the Securities and Exchange Act of 1934 and Rule 17a-4(b) thereunder and NASD Rule 3110 require all member firms to preserve for three years, originals of all communications sent by the member relating to its business, including communications with the public. NASD Rule 3010(d)(3) requires each member firm to retain correspondence of its registered representatives relating to its securities business in accordance with NASD Rule 3110 and FINRA Rule 4511. FINRA Rule 2010, and its predecessor NASD Conduct Rule 2110, provides that "[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

Between May 2004 and March 2014 the Firm failed to maintain certain consolidated reports sent to its customers. Consequently, the Firm has no record of certain Albridge reports distributed to customers.

As a result, the Firm violated Section 17 of the Securities Exchange Act of 1934, and SEC Rule 17a-4 thereunder; NASD Rules 3010(d)(3); 3110 (for conduct before December 5, 2011); and 2110 (for conduct before December 15, 2008); and FINRA Rules 4511 (for conduct after December 4, 2011) and 2010 (for conduct after December 14, 2008).

C. Failures Related to client file reviews and the Market Conduct Exam

NASD Rule 3010(b)(1) requires each member, to have written supervisory procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives and associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations. NASD Conduct Rule 3010(c) requires each member to conduct annual inspections of its offices of supervisory jurisdiction and inspect branch offices at least every three years. FINRA Rule 2010 provides that "[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

The Firm's procedures required the designated supervisor to conduct a client file review twice a year for each financial representative. During the client file review the supervisor would select a sample of a financial representative's files for review to insure that the file was properly maintained and contained all required documentation. The Market Conduct Exam is part of the Firm's audit program and was a branch audit conducted by members of the Firm's home office.

i. Client File Reviews

While the Firm did not have written policies or procedures addressing whether registered representatives should be provided with advance notice of which files would be reviewed, the Firm's Director of Compliance for Surveillance believed that the Firm's unwritten policy was not to give registered representatives advance notice of the specific files to be reviewed; rather the supervisor should pick the files at the time of the review. However, between 2009 and 2014, while he was conducting file reviews, many times Mitchell would have the registered representatives send him the files to be reviewed, or let them know ahead of time which files he would be reviewing.

In November 2011 the Firm's Director of Compliance for Surveillance, who was the Regional Supervision Consultant at the time, reprimanded Mitchell for providing registered representatives with advance notice of which files he would be reviewing and reminded him that he should not to tell them in advance which files would be reviewed. He then went on to identify for Mitchell one of the most important reasons for conducting reviews in this way – namely that if a registered representative is engaging in illegal acts, that activity may be discovered if the file reviews are conducted without advance notice. Finally he noted that this was not the first time Mitchell had been reprimanded for his file review process. Despite this reprimand Mitchell continued to provide registered representatives with advance notice of which files would be reviewed and the Firm took no additional steps to monitor Mitchell's procedures in this area or enact additional policies or procedures.

For example, in May 2012, Glover resigned from the Firm after the Firm initiated an internal investigation into allegations of selling away and potential conversion issues. Given this investigation, Williams was placed on heightened supervision. However, on September 17, 2012, Mitchell gave Williams 10-days' notice of which files Mitchell would review in an upcoming client file review.

ii. Market Conduct Exam

A member of the Firm's main office conducted the Firm's unannounced market conduct examinations. Mitchell knew that the examination of the Towson branch office was supposed to be unannounced. However, Mitchell notified the registered representatives under his supervision in advance of the examinations. In a September 28, 2011 email Mitchell stated, "[i]t appears October 18th could

be the date." Then, in an e-mail to the branch offices on October 12, 2011 he wrote, "[t]here's a good chance the examiner will be in next Tuesday."

Based on the foregoing, Signator, through Mitchell, violated NASD Rule 3010(a) and 3010(c) and FINRA Rule 2010, and Mitchell violated NASD Rule 3010(b) and FINRA Rule 2010.

B. Respondents also consent to the imposition of the following sanctions:

Signator:

- A fine in the amount of \$450,000; and
- A censure.

Mitchell:

- A 7-month supervisory suspension; and
- A fine in the amount of \$10,000.

Respondent Signator agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payments are due and payable. Respondent Signator has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent Signator 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.

Respondent Mitchell understands that the fine shall be due and payable either immediately upon reassociation with a member firm, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondent Mitchell specifically and voluntarily waives any right to claim that he is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

Respondent Mitchell understands that if I am barred or suspended from associating with any FINRA member in a supervisory capacity, I become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, I may not be associated with any FINRA member in a supervisory capacity, during the period of the bar or suspension (see FINRA Rules 8310 and 8311). Furthermore, because I am subject to a statutory disqualification during the suspension, if I remain associated with a member firm

in a non-suspended capacity, an application to continue that association may be required.

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against them;
- 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, Respondents specifically and voluntarily waive any right to claim bias or prejudice of the Chief Legal Officer, 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.

Respondents further specifically and voluntarily waive 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

Respondents understand 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;

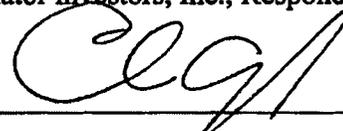
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against them; and
- C. If accepted:
1. this AWC will become part of their permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against them;
 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. Respondents 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. Respondents 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 Respondents: (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.
 5. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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.

Respondent Mitchell, and the undersigned, on behalf of the Firm, certify that Respondent Mitchell and a person duly authorized to act on behalf of the Firm have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that they have 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 Respondents to submit it.

7-30-15
Date (mm/dd/yyyy)

Signator Investors, Inc., Respondent

By: _____


Emil Aberizk
Vice President

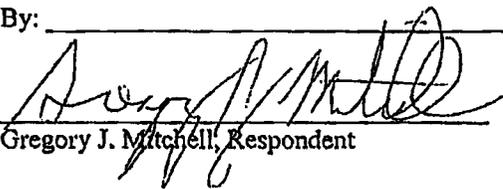
10 Signator Investors, Inc.

that they have 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 Respondents to submit it.

Date (mm/dd/yyyy)

JULY 20, 2015
Date (mm/dd/yyyy)

Signator Investors, Inc., Respondent

By: _____


Gregory J. Mitchell, Respondent

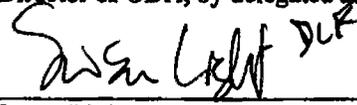
Reviewed by:

Thomas A. Ferrigno
Thomas A. Ferrigno
Counsel for Respondents
BrownRudnick
601 13th Street NW, Suite 600
Washington, DC 20005
(202) 536-1700

Accepted by FINRA:

8/13/15
Date

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



Susan Light
Senior Vice President, Chief Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street, 11th Floor
New York, NY 10281
Phone: (646) 315-7333