

**COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF THE SECRETARY OF THE COMMONWEALTH  
SECURITIES DIVISION  
ONE ASHBURTON PLACE, ROOM 1701  
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:	)	
	)	
ROYAL ALLIANCE ASSOCIATES	)	CONSENT ORDER
- NON TRADED REITS	)	
	)	
	)	E-2013-0044

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SECURITIES DIVISION

**I. INTRODUCTION**

This Consent Order (“Order”) is entered into by the Massachusetts Securities Division (“Division”) and Royal Alliance Associates, Inc. (hereinafter “Respondent”) in connection with an investigation initiated by the Division on January 3, 2013 concerning non-traded REITs sold by Respondent. On May 20, 2013, Respondent submitted an Offer of Settlement (“Offer”) to the Division for the purpose of disposing the allegations set forth in the Offer. Respondent, admitting to the Statements of Fact as set forth in Section V and neither admitting nor denying the Violations of Law set out in Section VI herein, and consents solely for the purpose of these proceedings to the entry of this Order by the Division, consistent with the language and terms of the Offer, settling the claims brought hereby with prejudice.

**II. JURISDICTION AND AUTHORITY**

1. The Massachusetts Securities Division is a division of the Office of the Secretary of the Commonwealth with jurisdiction over matters relating to securities, as provided for by the Act. The Act authorizes the Division to regulate: 1) the offers, sales, and purchases of securities; 2) those individuals and entities offering and/or selling

securities; and 3) those individuals and entities transacting business as investment advisers within the Commonwealth.

2. The Division instituted this action pursuant to the enforcement authority conferred upon it by § 407A of the Act and MASS. GEN. LAWS ch. 30A, wherein the Division has the authority to conduct an adjudicatory proceeding to enforce the provisions of the Act and all Regulations and rules promulgated thereunder.
3. The proceeding was brought in accordance with §§ 204 and 407A of the Act and its Regulations. Specifically, the acts and practices constituting violations occurred within the Commonwealth of Massachusetts.

### **III. RELEVANT TIME PERIOD**

4. Except as otherwise expressly stated, the conduct described herein occurred during the approximate time period of January 1, 2005 to the present (the “Relevant Time Period”).

### **IV. RESPONDENT**

5. Royal Alliance Associates, Inc. (“Royal”) is an entity currently registered as a broker-dealer firm in Massachusetts. Royal maintains Central Registration Depository (“CRD”) number 23131. Royal’s principal place of business is located at One World Financial Center, 15th Floor, New York, New York, 10281.

## V. STATEMENTS OF FACT

### A. Introduction

6. Pursuant to the Enforcement Section's investigation, the Enforcement Section reviewed ten (10) Massachusetts resident transactions executed over a three-year period with a total of \$259,000.00 invested by Massachusetts residents.<sup>1</sup>
7. The Enforcement Section focused on two (2) non-traded REIT products approved for sale by Royal including, Inland American Real Estate Trust, Inc. ("Inland American") and Inland Diversified Real Estate Trust, Inc. ("Inland Diversified") (collectively the "Inland Products").
8. According to the Enforcement Section's review, Royal registered representatives (collectively "Royal Representatives") sold Inland Products in violation of prospectus requirements in two (2) transactions resulting in \$53,000.00 of improper sales.<sup>2</sup>

### B. Royal's Compliance Requirements for the Sale of Non-Traded REITs

#### a. Royal's Compliance Manual and Written Supervisory Procedures

9. Royal maintained Compliance Manuals (collectively the "Compliance Manuals") throughout the Relevant Time Period.
10. The Compliance Manuals provide specific requirements regarding the sale of alternative investment products to investors—including non-traded REITs.
11. As early as January 13, 2006, Royal incorporated non-traded REIT guidance in Royal Compliance Manuals.

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<sup>1</sup> Subsequent to Royal's initial production, Royal Alliance identified three (3) Massachusetts Resident transactions involving Inland Western Retail Real Estate Investment Trust, Inc. ("Inland Western"), for a total of \$16,629.80 invested.

<sup>2</sup> Subsequent to Royal's initial production, Royal additionally identified two (2) Inland Western transactions in violation of prospectus requirements resulting in \$6,000.00 of improper sales.

12. Royal's January 13, 2006 Compliance Manual provided, "Additional suitability standards may appear in the product offering memorandum. Special attention should be directed to such guidelines and be followed accordingly. **If the prospectus requirements are more stringent than the above-mentioned guideline, the former shall govern.**" (Emphasis Added)
13. Subsequent Compliance Manuals continued to caution adherence to prospectus requirements.
14. Starting as early as May 2008, certain Royal Compliance Manual's provided: "At a minimum, investors must maintain a net worth of \$50,000. . . . As a guideline, a participant's single investment or total aggregate of non-traded REIT positions should not exceed 20% of net worth."
15. Royal's Supervisory Procedures for the Relevant Time Period also contain requirements regarding non-traded REITs—including the review of all REIT transactions by First Line Supervisors.
16. Royal Representatives and Office of Supervisory Jurisdictions were made aware of Royal's policies and procedures and mandate to adhere to prospectus requirements.
17. Royal Representatives and Office of Supervisory Jurisdictions were required to confirm their adherence to Royal's policy and procedures and prospectus requirements.
18. Inconsistent with Royal's policies and procedures and prospectus requirements, two Royal Representatives, in two different Office of Supervisory Jurisdictions, sold a total of four (4) transactions in Inland Products to three (3) clients.

**b. Royal's Alternative Investment Application**

19. According to Royal's response to the Division on January 16, 2013, Royal provides client application forms and third party subscription documents to clients prior to all sales of non-traded REIT products.
20. Among other information, Royal's Client Application Form requires listing a client's annual income, net worth, and liquid net worth.

### **C. The Enforcement Section's Investigation into Inland Products**

#### **a. Inland American**

21. The Inland Group, Inc. ("Inland") created Inland American, a non-traded REIT on October 4, 2004.
22. Royal produced a statement on January 16, 2013, in response to a subpoena indicating that Royal approved Inland American on August 31, 2005.
23. Royal contracted with Inland for sale of Inland American shares through a Soliciting Dealers Agreement ("Inland Agreement One") entered into on August 31, 2005.
24. Royal again contracted with Inland for sale of Inland American shares through an additional Soliciting Dealers Agreement ("Inland Agreement Two") entered into on August 21, 2007.
25. Inland Agreement Two included the following restriction:

[I]f the investor is a resident of . . . Massachusetts. . . the investor's investment in the Shares **may not exceed ten percent (10%) of the investor's liquid net worth** . . . . (Emphasis added).
26. Inland American prospectuses contained heightened Massachusetts specific suitability standards.

27. All Inland American prospectuses stated that Massachusetts residents must have a minimum net worth of at least \$250,000; or both a minimum annual gross income of at least \$70,000 and a minimum net worth of at least \$70,000.
28. Starting with the August 31, 2005 through 2009, Inland American prospectuses further provided, “[i]n addition to meeting the applicable minimum suitability standards . . . **your investment may not exceed (10.0%) of your liquid net worth.**” (Emphasis added).
29. The August 1, 2007 and January 7, 2009 Inland American prospectuses likewise provided, that with respect to Massachusetts residents, “**your investment may not exceed 10% of your liquid net worth . . . .**” (Emphasis added).
30. The Enforcement Section subpoenaed documents and interrogatory responses detailing all sales of the investment product Inland American to all Massachusetts residents from January 1, 2005 to January 3, 2013.
31. Royal identified seven (7) Massachusetts resident transactions involving Inland American from January 1, 2005 to January 3, 2013.
32. In total, Massachusetts investors invested \$175,000.00 in Inland American.

**b. Inland Diversified**

33. The Inland Group, Inc. (“Inland”) created Inland Diversified, a non-traded REIT in June 2008.
34. Royal produced a statement on January 16, 2013, in response to a subpoena indicating that Royal approved Inland Diversified on January 1, 2010.
35. Royal contracted with Inland for sale of Inland Diversified shares through a Soliciting Dealers Agreement (“Inland Agreement Three”) entered into on January 1, 2010.

36. Inland Agreement Three included the following restriction:
- Massachusetts . . . investor's investment in the **Shares may not exceed ten percent (10%) of investor's liquid net worth.** . . .  
(Emphasis added).
37. Inland Diversified prospectuses contained heightened Massachusetts specific suitability standards.
38. All Inland Diversified prospectuses stated that Massachusetts residents must have a minimum net worth of at least \$250,000; or both a minimum annual gross income of at least \$70,000 and a minimum net worth of at least \$70,000.
39. Starting with the August 24, 2009 prospectus and all Inland Diversified prospectuses further provided, "[i]n addition to meeting the applicable minimum suitability standards . . . **your investment may not exceed (10%) of your liquid net worth.**"  
(Emphasis added).
40. The Enforcement Section subpoenaed documents and interrogatory responses detailing all sales of the investment product Inland Diversified to all Massachusetts residents from January 1, 2005 to January 3, 2013.
41. Royal identified three (3) Massachusetts resident transactions involving Inland Diversified from January 1, 2005 to January 3, 2013.
42. In total, Massachusetts investors invested approximately \$84,000.00 in Inland Diversified.

**D. Royal's Approval of Massachusetts Resident Transactions**

43. Pursuant to the Enforcement Section's investigation, Royal identified, in total, 13 Massachusetts resident transactions involving Inland Western, Inland American, or Inland Diversified with a total of \$275,629.80 invested.

44. Royal Representatives sold Inland Western, Inland American, or Inland Diversified in excess of the Massachusetts maximum concentration limits imposed by non-traded REIT prospectuses in at least four (4) Massachusetts resident transactions totaling \$59,000.00 as follows:
- a. Royal Representatives sold non-traded REITs in excess of Massachusetts heightened concentration limits in two (2) Inland Western Massachusetts resident transactions totaling \$6,000.
  - b. Royal Representatives sold non-traded REITs in excess of Massachusetts heightened concentration limits in one (1) Inland American Massachusetts resident transaction totaling \$3,000.00.
  - c. Royal Representatives sold non-traded REITs in excess of Massachusetts heightened concentration limits in one (1) Inland Diversified Massachusetts resident transaction totaling \$50,000.00.

## **VI. VIOLATIONS OF SECURITIES LAWS**

### **a. Count I - Violations of § 204(a)(2)(G) by Royal**

45. Section 204(a)(2)(G) of the Act provides in pertinent part:

(a) The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:—

.....  
(G) has engaged in any unethical or dishonest conduct or practices in the securities, commodities or insurance business[.]

46. 950 CODE MASS. REGS. §12.204 (1)(a)(28) provides in pertinent part:



(1) Dishonest and unethical practices in the securities business.

(a) Broker-Dealers. Each broker-dealer shall observe high standards of commercial honor and just and equitable principles of trade in the conduct of its business. Acts and practices, including, but not limited to the following, are considered contrary to such standards and constitute dishonest or unethical practices which are grounds for imposition of an administrative fine, censure, denial, suspension or revocation of a registration, or such other appropriate action:

.....

28. Failure to comply with any applicable provision of FINRA member conduct rules or any applicable fair practice or ethical standard promulgated by the SEC or by a self-regulatory organization approved by the SEC.

47. The applicable FINRA rules provide in pertinent part:

**2010. Standards of Commercial Honor and Principles of Trade**

A member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.

48. The conduct of Royal as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(G).

**b. Count II - Violations of § 204(a)(2)(J) by Royal**

49. Section 204(a)(2)(J) of the Act provides in pertinent part:

(a) The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:-

.....

(J) has failed reasonably to supervise agents, investment adviser representatives or other employees to assure compliance with this chapter[.]

50. The conduct of Royal, as described above, constitutes violations of MASS. GEN. LAWS ch. 110A, § 204(a)(2)(J).

## VII. ORDER

Royal consents to the entry of this Order,

### IT IS HEREBY ORDERED:

Respondent in full settlement of these matters admits to the Statements of Facts as set forth in Section V, and neither admits nor denies the Violations of Law set out in Section VI herein, makes the following representations, and agrees to the undertakings herein as part of the Order:

- A. Respondent agrees to permanently cease and desist from conduct in violation of the Act and Regulations in the Commonwealth;
- B. Respondent agrees to be censured by the Division;
- C. Respondent agrees to offer restitution<sup>3</sup> to all Royal customers who were Massachusetts residents at the time they purchased an Inland Product in their Royal account (regardless of whether the shares of the Inland Products are presently held in an Royal account or the individual or entity no longer resides in Massachusetts) between January 1, 2005 and the present (as identified on Appendix 1<sup>4</sup> hereto) in violation of any of the following:
  - a. Those transactions made in violation of the Massachusetts maximum ten percent (10%) concentration limitation imposed by certain the Inland Product

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<sup>3</sup> Restitution as used in this Offer means the offer by Respondent to purchase from customers, as further defined herein, their presently held Inland Product shares at the purchase price as reflected in the corresponding Inland Product offering document.

<sup>4</sup> Appendix 1 shall include all Inland Product transactions identified within Section VII, Subsection C, subparts (a)-(c).

prospectuses, including all transactions which singularly exceed the ten percent (10%) concentration limitation, and all transactions which, when combined with other purchases by the same investor in the same non-traded REIT, exceed the ten percent (10%) concentration limitation;

- b. Those transactions made in violation of non-traded REIT prospectus prescribed net worth and annual income suitability standards; or
- c. Those transactions made in violation of Respondent's Compliance Manual and Written Supervisory Procedures prescribed alternative investment suitability requirements.

D. Respondent agrees that the offer of restitution shall be sent to Massachusetts investors identified in Section VII, subsection C, in a letter ("Offer Letter One") sent to the address of record for such investors, a draft of which shall be provided to the Division within thirty (30) days of entry of the Order, and a finalized version not unacceptable to the Division, which shall be mailed to the Massachusetts investors identified in Section VII, subsection C within fifteen (15) days of the Division's approval of such letter. Offer Letter One will remain open for ninety (90) days. Within thirty (30) days of entry of the Order, Respondent shall provide the Division with a list of the names and addresses of all Massachusetts residents listed on Appendix 1. Within thirty (30) days of the mailing of Offer Letter One, Respondent shall provide the Division with a list of all Massachusetts residents for whom Respondent receives an offer as returned to sender ("Undeliverable Massachusetts Residents"). To the extent the Division has access to different mailing address information for Undeliverable Massachusetts Residents; Respondent agrees to mail a second Offer Letter One to Massachusetts

residents within 30 days of the Division's providing such different address. Massachusetts residents who choose to accept the offer of restitution shall be required to sign a release in a form not unacceptable to the Division, agreeing to waive any further claims against Respondent or its agents relating to any violation identified in Section VII, subsection C, subpart a through c, giving rise to the offer of restitution, and agreeing to offset any additional claims relating to identified transactions by the amount received by this offer of settlement. In addition, eligible customers who choose to accept the offer of restitution must agree to tender their existing shares in the Inland Product giving rise to the offer of restitution to Respondent or its designee, as a precondition to receipt of the payment of restitution by Respondent.<sup>5</sup> The offer of restitution shall be in the form of a bank check unless requested otherwise by the Massachusetts resident. Respondent shall be permitted to reduce its offer of restitution to each client listed on Appendix 1 by the number of previously redeemed shares (if any) by the REIT company at issue. In all instances where any Massachusetts resident listed on Appendix 1 previously redeemed shares at a discount or incurred any fees or charges directly related to the previous redemption of shares, Respondent shall compensate the Massachusetts resident for any difference in redemption price and for Royal fees and charges.

- E. Within forty-five (45) days of the expiration of Offer Letter One, Respondent agrees to prepare, and submit to the Division, a report detailing the amount of funds reimbursed pursuant to the Order, which shall include:

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<sup>5</sup> As pertaining to any investor who may have a physical certificate(s) of the identified Inland Product, Respondent will provide these Massachusetts residents additional time to locate all physical certificate(s) not unacceptable to the Division.

- i. Identification of all accepted and verified offers;
- ii. Dates, amounts, and methods of the transfer of funds for all recessionary payments;
- iii. Identification and detailed descriptions of any objections received by Respondent.

F. Respondent further agrees to undertake the identification of all Royal customers who were Massachusetts residents at the time they purchased a non-traded REIT in their Royal account (regardless of whether the shares of the non-traded REIT are presently held in an Royal account or the individual or entity no longer resides in Massachusetts) between January 1, 2005 and the present. This identification process will be completed within thirty (30) days of the entry of the Order. Respondent agrees to offer restitution to those further Royal clients identified on Appendix 2<sup>6</sup> hereto as a result of the above-referenced identification process, if the identified transaction(s) was made in violation of any of the following:

- a. Those transactions made in violation of the Massachusetts maximum ten percent (10%) concentration limitation imposed by certain non-traded REIT prospectuses, including all transactions which singularly exceeded the ten percent (10%) concentration limitation, and all transactions which, when combined with other purchases by the same investor in the same non-traded REIT, exceed the ten percent (10%) concentration limitation;
- b. Those transactions made in violation of non-traded REIT prospectus prescribed net worth and annual income suitability standards; or

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<sup>6</sup> Appendix 2 shall include all transactions identified within Section VII, Subsection F, subparts (a) – (c).

- c. Those transactions made in violation of Respondent's Compliance Manual and Written Supervisory Procedures prescribed alternative investment suitability requirements.
- G. Respondent agrees that the offer of restitution shall be sent to Massachusetts investors identified in Section VII, subsection F, in a letter ("Offer Letter Two") sent to the address of record for such investors, a draft of which shall be provided to the Division within thirty (30) days of the completion of the above referenced identification process, and a finalized version not unacceptable to the Division, which shall be mailed to Massachusetts investors identified in Section VII, subsection F within fifteen (15) days of the Division's approval of such letter. Offer Letter Two will remain open for ninety (90) days. Within thirty (30) days of entry of the Order, Respondent shall provide the Division with a list of the names and addresses of all Massachusetts residents listed on Appendix 2. Within thirty (30) days of the mailing of Offer Letter Two, Respondent shall provide the Division with a list of all Massachusetts residents for whom Respondent receives an offer as returned to sender ("Undeliverable Massachusetts Residents"). To the extent the Division has access to different mailing address information for Undeliverable Massachusetts residents, Respondent agrees to mail a second Offer Letter Two to Massachusetts residents within 30 days of the Division's providing such different Massachusetts residents who choose to accept the offer of restitution shall be required to sign a release in a form not unacceptable to the Division, agreeing to waive any further claims against Respondent or its agents relating to any violation identified in Section VII, subsection F, subpart a through c, giving rise to the offer of restitution, and agreeing to offset any additional

claims relating to identified transactions by the amount received by this offer of settlement.. In addition, eligible customers who choose to accept the offer of restitution must agree to tender their existing shares in the non-traded REIT giving rise to the offer of restitution to Respondent or its designee, as a precondition to receipt of the payment of restitution by Respondent.<sup>7</sup> The offer of restitution shall be in the form of a bank check unless requested otherwise by the Massachusetts resident. Respondent shall be permitted to reduce its offer of restitution to each client listed on Appendix 1 by the number of previously redeemed shares (if any) by the REIT company at issue. In all instances where any Massachusetts resident identified in the above referenced identification process previously redeemed shares at a discount or incurred any fees or charges directly related to the previous redemption of shares, Respondent shall compensate the Massachusetts resident for any difference in redemption price and for Royal fees and charges.

H. Within forty-five (45) days of the expiration of Offer Letter Two, Respondent agrees to prepare, and submit to the Division, a report detailing the amount of funds reimbursed pursuant to the Order, which shall include:

- i. Identification of all accepted and verified offers;
- ii. Dates, amounts, and methods of the transfer of funds for all recessionary payments;
- iii. Identification and detailed descriptions of any objections received by Respondent.

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<sup>7</sup> As pertaining to any investor who may have physical certificates of the identified non-traded REITs, Respondent will provide these Massachusetts residents additional time to locate all physical certificate(s) not unacceptable to the Division.

- I. Respondent agrees to pay an administrative fine within ten calendar days following the date the Order executed pursuant to this Offer is entered into the docket in the amount of \$25,000.00 (USD). Payment shall be: (1) made by United States postal money order, certified check, bank cashier's check, bank money order, or wire; (2) made payable to the Commonwealth of Massachusetts; (3) either hand-delivered, mailed to One Ashburton Place, Room 1701, Boston, Massachusetts 02108; or wired per Division instructions; and (4) submitted under cover letter or other documentation that identifies payment by Respondent and the docket number of the proceeding;
- J. To the extent the following actions have not already been completed, the Chief Executive Officer ("CEO") of Respondent shall certify in writing to the Division within sixty (60) days of the date of entry of this Order the following in a written report to the Division ("Report"):
- a. That Respondent has conducted a comprehensive review of (1) Respondent's policies and procedures for the sale of all alternative investments, including, but not limited to all non-traded REITs and (2) Respondent's policies and procedures for review and approval for the sale of all complex products, including, but not limited to all non-traded REITs;
  - b. At a minimum, Respondent shall certify that its policies and procedures include the following:
    - (1) Mandatory complex products training, including, but not limited to non-traded REITs, for all registered representatives and their OSJ supervisors before the registered representatives may sell, and before an OSJ supervisor may approve the sale, of non-traded REITs;



(2) Additional supervisory oversight for the review and approval for the sale of all complex products. The supervisory structure shall include dedicated supervisory staff whose primary function is the review and approval of the sale of complex products;

(3) Surveillance oversight of the purchase of complex products, including, but not limited to, non-traded REITS, and;

(4) The Respondent's Alternative Investment Form to include a plain language statement providing a reminder that prospectuses may contain different suitability requirements and methodologies for calculating liquid net worth and net worth and that in all instances, prospectus limitations and directives supersede Respondent's guidelines and methodologies. In addition, Respondent shall add to the Alternative Investment Forms an additional line item reflecting the client's liquid net worth calculated in accordance with prospectus methodology.

c. That as a result of that review, Respondent has made findings and conclusions regarding the firm's practices, policies, and procedures together with recommendations for improvements and changes to such practices, policies and procedures, which shall be detailed in the Report;

d. That Respondent has adopted all required remediation as set forth in paragraph J(b) above, as well as such other and further recommendations for changes in practices, policies, and procedures; provided, however, that in the

case of any recommendations not yet adopted, an undertaking as to when such recommendations will be made effective.

K. One year after the termination of the process set forth above in Section VII, subsection J(a-d), Respondent shall undergo, at its own expense, a review by a unit not unacceptable to the Division (“Royal Audit Unit”) to confirm the implementation of the recommendations set forth in the Report and to assess the efficacy of such changes to Respondent’s practices, policies, and procedures. At the conclusion of this review, which in no case shall take more than sixty (60) days, Respondent’s Royal Audit Unit shall issue a report of its findings and recommendations concerning Respondent’s adherence to and the efficacy of the Report’s recommendations. The report shall be promptly delivered to the Division within ten (10) days of its completion. No later than thirty (30) days after receipt of the report, Respondent shall provide a detailed, written response to any and all findings and recommendations in the Royal Audit Unit’s report to the Division, including, but not limited to, the reason(s) for any deficiencies identified, and a process and procedure to address Royal deficiencies, recommendations, or other issues identified in the report.

1. Respondent shall retain copies of any and all report(s) as set forth in paragraphs J(a-d) and K above in an easily accessible place for a period of five years from the date of the reports.

L. At the request of the Respondent, the Division’s staff may extend, for good cause shown, any of the procedural dates set forth above;

M. Respondent agrees that it shall not seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, any payments made

pursuant to any insurance policy, with regard to all amounts that Respondent shall pay pursuant to the Division's Order;

N. Respondent and its designee agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any amounts that Respondent shall pay pursuant to the Division's Order, unless otherwise required by law;

O. Respondent agrees that, upon issuance of an Order by the Division consistent with this Offer, if Respondent fails to comply with any of the terms set forth in the Division's Order, the Enforcement Section may take appropriate action pursuant to Sections 204, 407A and 408 of the Act. Additionally, Respondent agrees that, after a fair hearing and the issuance of an appropriate order finding that Respondent has not complied with the Order, the Enforcement Section may move to have the Order declared null and void, in whole or in part, and re-institute the administrative proceeding and associated investigation that had been brought against Respondent.

#### **X. NO DISQUALIFICATION**

The Order hereby waives any disqualification under the laws of the Commonwealth and all rules or regulations thereunder, including any disqualifications from relying upon the registration exemptions or safe harbor provisions that Respondent or its affiliates maybe subject to. The Order is not intended to subject Respondent to disqualification under federal securities laws, rules or regulations thereunder, or the rules and regulations of any self-regulatory agency, nor the laws, rules or regulations of the various states and U.S. Territories, including, without limitation, any disqualification from relying upon the registration

exemptions or safe harbor provisions. In addition, the Order is not intended to form the basis for any such disqualifications.

**WILLIAM FRANCIS GALVIN  
SECRETARY OF THE COMMONWEALTH**

By: 

Bryan J. Lantagne

Director

Massachusetts Securities Division

One Ashburton Place, Room 1701

Boston, MA 02108

Massachusetts Securities Division  
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May 22, 2013