

STATE OF NEW JERSEY
BUREAU OF SECURITIES
P.O. Box 47029
Newark, New Jersey 07101
(973) 504-3600

IN THE MATTER OF:

The Investment Center, Inc.

CRD #17839

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CONSENT ORDER

BEFORE MARC B. MINOR, BUREAU CHIEF

Pursuant to the authority granted to the Chief of the New Jersey Bureau of Securities (“Bureau Chief”) by the Uniform Securities Law (1997), N.J.S.A. 49:3-47 et seq. (“Securities Law”), and after investigation, review, and due consideration of the facts and statutory provisions set forth below, the Bureau Chief has determined that civil monetary penalties and other remedies be assessed against The Investment Center, Inc. (“The Investment Center”).

WHEREAS, the New Jersey Bureau of Securities (“Bureau”) is the State agency with the responsibility to administer and enforce the Securities Law; and

WHEREAS, N.J.S.A. 49:3-67 authorizes the Bureau Chief from time to time to issue such Orders as are necessary to carry out the provisions of the Securities Law, upon a finding that the action is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the provisions of the Securities Law; and

WHEREAS, the Bureau has conducted an investigation into certain activities occurring in the Bridgewater, New Jersey branch office of The Investment Center; and

WHEREAS, The Investment Center and the Bureau Chief wish to resolve these issues without the expense and delay that formal administrative proceedings would involve; and

WHEREAS, The Investment Center consents to the form and entry on this Consent Order without admitting or denying the allegations set forth herein. Accordingly, The Investment Center waives the following rights:

- a. To be afforded an opportunity for hearing on the Bureau Chief's findings and conclusions of law in this Consent Order after reasonable notice within the meaning of N.J.S.A. 49:3-58(c)(2); and
- b. To seek judicial review of, or otherwise challenge or contend, the validity of this Consent Order; and

WHEREAS, The Investment Center agrees that for the purposes of settling this matter, or any future proceedings by the Bureau, this Consent Order shall have the same effect as if proven and ordered after a full hearing held pursuant to N.J.S.A. 52:14B-1 et seq.; and

WHEREAS, this Consent Order concludes the investigation by the Bureau Chief and any civil or administrative action that could be commenced, pursuant to the Securities Law, on behalf of the Bureau Chief, as it relates to seeking civil monetary penalties or other relief against The Investment Center for the specific conduct described herein.

FINDINGS OF FACT

The Bureau Chief makes the following findings of fact:

1. The Investment Center, Inc. is broker-dealer headquartered in Bedminster, New Jersey. The Investment Center has been registered as a broker-dealer with the Bureau since June 1986.

2. First Fidelity Securities LLC ("First Fidelity") is a New Jersey limited liability company with offices located at 1170 Route 22 East, Suite 300, Bridgewater, New Jersey (the "Bridgewater Office"). By way of agreement with The Investment Center, The Investment Center provides certain services to First Fidelity, its registered securities principals, and agents to assist in the offer, purchase, and sale of securities. The Investment Center maintains supervision of branch offices, including First Fidelity's Bridgewater Office.

3. Daniel L. White (CRD #1019666) ("White") has been registered with the Bureau as an agent of The Investment Center since June 2002. He is currently a Senior Vice President and Managing Director of First Fidelity and serves as branch manager of the Bridgewater Office.

4. Raquel DaSilva (CRD #4230814) ("DaSilva") has been registered with the Bureau as an agent with The Investment Center since April 2007. She was previously registered with the Bureau as an agent of Walnut Street Securities, Inc. from August 2006 through September 2006, and Axa Advisors, LLC from February 2004 through August 2004. DaSilva is a Senior Financial Representative of First Fidelity and currently serves as an agent in the Bridgewater Office.

5. Peter Franco (CRD #1007869) ("Franco") has been registered with the Bureau as an agent with The Investment Center since February 2006. Franco currently serves as an agent in the Bridgewater Office.

6. From approximately April 2007 through April 2008, DaSilva worked in the Clifton, New Jersey branch office of The Investment Center with former agent Jonathan Schwartz (CRD #4285738) ("Schwartz"). DaSilva maintained approximately five clients at The Investment Center.

7. In or around the spring of 2008, DaSilva experienced problems working with Schwartz and requested a transfer from the Clifton, New Jersey branch office to the Bridgewater Office.

8. DaSilva's transfer request was approved by The Investment Center, and she commenced working at First Fidelity in or around April 2008.

9. Schwartz passed away in or around the spring of 2008.

10. As required by the firm's policies and procedures, each account must be associated with an agent of the firm who maintains proper registration to service the account.

11. The direct-investment mutual fund accounts Schwartz managed were transferred from his agent account number to The Investment Center's house account number which The Investment Center maintained for inactively managed customer accounts.

12. In or around August 2008, DaSilva sent a request to The Investment Center seeking the transfer of one of Schwartz's former customer's account, J.M., to her name. J.M.'s account was held with MFS Investment Management (CRD# 110045) ("MFS") as a "House Account" for another Broker-Dealer, American General Securities, Inc. ("AGS").

13. The Investment Center's and MFS' procedures require that a Change of Broker-Dealer Form be signed by the customer and submitted to MFS in order to change the Broker-Dealer of Record and Associated Person for a customer's account. However, The Investment Center inadvertently sent a Change of Representative Letter in place of a Change of Broker-Dealer Form.

14. On August 5, 2008, back office personnel of The Investment Center sent a transfer letter via facsimile to MFS seeking to "...reassign all the individual and / or mutual fund business associated with former representative." The letter indicated The Investment Center's MFS house account as the "former representative" and sought to make DaSilva the new agent of record. In addition, back office personnel attached J.M's non-TIC client account statement as reference for MFS operations. MFS did not question or reject The Investment Center's request to change all of its house accounts to one representative (DaSilva) and did not inform the firm that the customer's account was held by another broker-dealer and could not be transferred to DaSilva.

15. In reliance upon the letter, MFS's servicing agent changed the name of the agent of record for all The Investment Center house account, which contained 402 customer accounts, to reflect DaSilva as agent.

16. Certain clients in the house account transferred to DaSilva were located in states in which DaSilva was not registered.

17. The Investment Center's Registration Department is required to follow-up in 30 days to ensure the accounts(s) were properly transferred. Despite the obligation under The Investment Center's procedures, back office personnel failed to confirm the transfer occurred in accordance with its August 5, 2008 request to MFS.

18. In and around the spring 2010, DaSilva sought to work with a more experienced agent and enlisted Franco to help her with some of her accounts.

19. In or around March 2010, DaSilva and Franco cooperated to send letters to certain inactive accounts offering to review the accounts and update personal information. The letters from Franco and DaSilva opened, "[a]s your Registered Representative, I am responsible for ensuring that your accounts are serviced on a regular basis."

20. The letters were generated by an assistant in the Bridgewater Office using a form letter and client information provided by DaSilva.

21. The Investment Center's branch supervisory manual explicitly prohibits agents from engaging in activities that require registration unless registered in the appropriate capacities.

22. Blue Sky Laws require an agent to have a valid agent registration in states in which the agent represents a broker-dealer in effecting or attempting to effect purchases or sales of securities.

23. Neither DaSilva nor Franco confirmed their agent registration status in the states of the recipients prior to sending this correspondence.

24. At least eleven letters covering approximately 19 accounts were signed by both DaSilva and Franco identifying each as the client's agent. Each of these letters was sent to clients located in states where neither DaSilva nor Franco maintained agent registration.

25. The Investment Center's written supervisory procedures regarding outgoing correspondence prepared by an agent require that the supervisory principal review the correspondence and evidence the review with initials and dates.

26. As branch manager, Daniel White maintained sole responsibility in the Bridgewater Office for the review and approval of outgoing correspondence.

27. White reviewed and approved the substance contained in the body of the correspondence at issue as it conformed to a form letter previously approved by The Investment Center. White did not, however, review final letters, and thus, did not confirm the registration status of DaSilva and Franco in ten (10) and four (4) of the states, respectively, to which the correspondence was sent nor did he evidence his review with his initials and dates.

28. For nearly two years, The Investment Center and First Fidelity failed to identify the account transfer error and subsequent registration issues until the matter was brought to their attention by the Bureau in July 2010. None of the 402 inadvertently transferred accounts incurred any fees from The Investment Center during this period.

29. The Investment Center relies upon Albridge Solutions, a third party-controlled data system, to review client account information for direct-investment accounts held with mutual fund and annuity companies. The system is not a compliance tool and cannot generate exception reports to ensure proper agent registration or identify sales practice issues.

30. By (i) failing to follow supervisory procedures with respect to account transfers, (ii) failing to follow supervisory procedures with respect to outgoing correspondence, (iii) allowing agents to engage in activities that require registration including soliciting eleven (11) clients, and acting as an agent of record without appropriate registration, and (iv) failing to have an adequate system to detect and prevent the association of direct investment customer accounts with agents who lack appropriate state registration, The Investment Center failed to establish and enforce reasonable supervisory procedures designed to detect and prevent conduct in violation of the Securities Law.

CONCLUSIONS OF LAW

Solely for the purpose of this Consent Order, and without admitting or denying the Findings of Fact and Conclusions of Law, The Investment Center consents to the Bureau Chief making the following Conclusions of Law:

1. In connection with (i) failing to follow supervisory procedures with respect to account transfers, (ii) failing to follow supervisory procedures with respect to outgoing correspondence, (iii) allowing agents to engage in activities that require registration without

appropriate registration, and (iv) failing to have an adequate system to detect and prevent the association of direct investment customer accounts with agents who lack appropriate state registration, The Investment Center failed to establish and enforce reasonable supervisory procedures to detect and prevent conduct in violation of the Securities Law, in violation of its duties under N.J.S.A. 49:3-58(a)(2)(xi).

2. The activities set forth herein are grounds, pursuant to N.J.S.A. 49:3-58(a)(1) and N.J.S.A. 49:3-58(a)(2)(xi) for the initiation of administrative proceedings; and further, pursuant to N.J.S.A. 49:3-70.1, to assess a civil monetary penalty, and pursuant to N.J.S.A. 49:3-67, to impose such other appropriate remedial measures as may be necessary in the public interest.

ORDER

NOW THEREFORE, it is on this 14th day of January 2011,

ORDERED that, The Investment Center will CEASE AND DESIST from violating the Securities Law, and will comply with the Securities Law; and it is

FURTHER ORDERED that, The Investment Center will demonstrate, no later than 90 days from entry of this Consent Order that it has revised its systems and procedures for The Investment Center client accounts maintained with mutual fund and annuity companies with respect to account transfers and agent registration; and it is

FURTHER ORDERED that, pursuant to N.J.S.A. 49:3-70.1, The Investment Center is assessed and shall pay a civil monetary penalty in the amount of \$11,000.00, due and payable within ten days of the entry of this Consent Order to "State of New Jersey, Bureau of Securities," 153 Halsey Street, 6th Floor, Newark, New Jersey 07102, or to be received at "Bureau of

Securities," P.O. Box 47029, Newark, New Jersey 07101. The civil monetary penalty payment shall be deposited in the Securities Enforcement Fund, pursuant to N.J.S.A. 49:3-66.1.

The Investment Center, Inc. hereby consents to the form and entry of this Consent Order without admitting or denying the Findings of Fact and Conclusions of Law set forth herein.

THE INVESTMENT CENTER, INC.

By: Ralph DeVito
Name: Ralph DeVito

DATED: 1/14/11

NEW JERSEY BUREAU OF SECURITIES

By: Marc B. Minor
Marc B. Minor
Chief, Bureau of Securities

DATED: 1/14/11