

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 75690 / August 13, 2015**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 4170 / August 13, 2015**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16753**

**In the Matter of**

**SIGNATOR INVESTORS,  
INC. and GREGORY J.  
MITCHELL,**

**Respondents.**

**ORDER INSTITUTING ADMINISTRATIVE  
PROCEEDINGS PURSUANT TO SECTION  
15(b) OF THE SECURITIES EXCHANGE  
ACT OF 1934 AND SECTIONS 203(e) AND  
203(f) OF THE INVESTMENT ADVISERS  
ACT OF 1940, MAKING FINDINGS, AND  
IMPOSING REMEDIAL SANCTIONS**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”), and Sections 203(e) and 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Signator Investors, Inc. (“Signator”) and Gregory J. Mitchell (“Mitchell”), (collectively, “Respondents”).

**II.**

In anticipation of the institution of these proceedings, Respondents have each submitted Offers of Settlement (the “Offers”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondents consent

to the entry of this Order Instituting Administrative Proceedings, Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Sections 203(e) and 203(f) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

### III.

On the basis of this Order and Respondents’ Offer, the Commission finds<sup>1</sup> that:

#### Summary

These proceedings arise out of Respondents’ failure reasonably to supervise James R. Glover (“Glover”) and Cory D. Williams (“Williams”), former registered representatives and investment adviser representatives (collectively referred to as “financial representatives”) at Signator, with a view to preventing and detecting Glover’s and Williams’ violations of the federal securities laws. While associated with Signator, from approximately May 1998 through May 2012, Glover conducted an offering fraud that defrauded at least 125 Signator advisory clients and brokerage customers (collectively, “Clients”) of approximately \$13.5 million by soliciting them to invest in Colonial Tidewater Realty Income Partners, LLC (“Colonial Tidewater”), a security not approved for sale by Signator representatives. Glover made materially false and misleading statements regarding the financial health of Colonial Tidewater, the expected returns and risk of investing, and deceived investors by, among other things, creating the false impression that Colonial Tidewater was a Signator-approved investment. Glover and Williams met with investors to discuss investment in Colonial Tidewater in Signator’s offices, maintained files reflecting Clients’ investments in Colonial Tidewater within the Signator offices, and provided many Clients with consolidated reports generated from Signator computer systems that included or attached false valuations of their Colonial Tidewater investments.

During the pendency of their fraud, Glover and Williams received undisclosed commissions from Colonial Tidewater totaling approximately \$188,382. Glover’s receipt of commissions from Colonial Tidewater represented a conflict of interest that he failed to disclose to his brokerage customers in connection with recommendations that they invest in Colonial Tidewater and to his advisory clients in connection with advisory relationships. Williams similarly failed to disclose this conflict of interest to his advisory clients.

By engaging in the misconduct described above, Glover violated Section 17(a) of the Securities Act of 1933, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act. Williams violated Sections 206(1) and 206(2) of the Advisers Act.

Signator did not have policies and procedures reasonably designed to prevent and detect Glover’s and Williams’ misuse of Signator’s consolidated reports, known as Albridge reports, to

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<sup>1</sup> The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

perpetrate a securities fraud upon their Clients. Specifically, Signator had no policies explicitly governing the creation, use, and review of Albridge reports. These consolidated reports showed that a substantial number of Signator's Clients serviced by Glover and Williams were invested in Colonial Tidewater, a security not offered or approved by Signator. Had Signator had reasonable policies and procedures governing Albridge reports, it would have likely uncovered Glover's and Williams' fraud.

Beginning in January 2009, Gregory Mitchell was responsible for supervising Glover and Williams. Mitchell failed reasonably to implement Signator's policies and procedures for conducting reviews of files of brokerage customers and advisory clients ("client file reviews"). Glover and Williams' Client files contained correspondence, emails, and documents authorizing the transfer of funds from Signator-approved investments to Colonial Tidewater as well as Albridge reports. But Mitchell ignored key components of Signator's file review policies. Had Mitchell reasonably implemented Signator's policies and procedures regarding client file reviews, the fraud likely would have been detected. As a result of Mitchell's failure to implement Signator's policies and procedures for properly conducting client file reviews, Mitchell failed reasonably to supervise Glover and Williams with a view to preventing and detecting their violations of the federal securities laws.

### **Respondents**

1. Signator Investors, Inc., headquartered in Boston, Massachusetts, is a registered broker-dealer and investment adviser.

2. Gregory J. Mitchell, age 65, resides in Leesburg, Virginia. Beginning in approximately January 2004, he was the Director of Compliance for Signator's Vienna, Virginia Office of Supervisory Jurisdiction ("Vienna OSJ"). In January 2009, Mitchell also became Director of Compliance for Signator's Towson, Maryland Office of Supervisory Jurisdiction ("Towson OSJ"). During the relevant time period, Mitchell was responsible for several supervisory functions, including client file reviews, and beginning in January 2009, was a designated supervisor for Glover and Williams with respect to their brokerage and advisory business. In December 2014, Mitchell relinquished his supervisory responsibilities and was a registered representative and investment adviser representative in the Vienna OSJ until June 2015. He holds series 1, 7, 24, 51, 63, and 65.

### **Other Relevant Persons and Entities**

3. James R. Glover, age 73, is a resident of White Hall, Maryland. He was a registered representative and investment adviser representative in Signator's Towson OSJ from May 1, 1998 through May 11, 2012, when he was permitted to resign. He held series 6, 22, 63, and 65.

4. Cory D. Williams, age 43, is a resident of Monkton, Maryland. He was a registered representative and investment adviser representative in Signator's Towson OSJ from April 30, 1998 through March 7, 2013, when his association with Signator was terminated. From April 2013 through September 2013, Williams was a registered representative and investment adviser

representative associated with a broker-dealer and investment adviser registered with the Commission. He holds series 6, 7, 63, and 65.

5. Colonial Tidewater Realty Income Partners, LLC is a Maryland limited liability company that was formed on January 26, 1999. Colonial Tidewater is not registered with the Commission. Glover has been a managing member since April 1, 2004. The company's principal office is located in Conowingo, Maryland. Colonial Tidewater owns and operates residential and commercial properties through its subsidiaries in Maryland, Pennsylvania, and New York.

### **Background**

6. In May 1998, Glover and Williams joined Signator's Towson OSJ. The two had previously worked together at another broker-dealer located in Towson, where Williams had begun his career under Glover's tutelage. Glover and Williams provided various services to their shared group of Clients. Some of these Clients were brokerage customers, some were advisory clients, and many had both brokerage and advisory relationships with Glover and Williams. Together, Glover and Williams provided their Clients with a broad array of financial products in addition to brokerage and investment advisory services, including annuities, and long term care and life insurance.

7. Glover is a co-managing member of Colonial Tidewater and was responsible for handling all investor relationships and solicitations. From approximately January 1999 through May 2012, Glover solicited his Signator brokerage customers and advisory clients asking that they invest in partnership units issued by Colonial Tidewater, which was not a Signator-approved investment. Ultimately, at least 125 of his Clients agreed to invest a total of approximately \$13.5 million. Glover solicited these investments through myriad misrepresentations.

8. Glover offered units in Colonial Tidewater through a series of private placement memoranda ("PPM"). According to the PPMs, the offering proceeds were to be used to invest, through Colonial Tidewater's subsidiaries, in various forms of residential and commercial real estate. Although at least some of the money raised from investors was used to invest in this manner, through the PPMs and written property reports provided to certain prospective investors, Glover misled investors about, among other things, the financial condition of Colonial Tidewater and its real estate holdings. These documents provided grossly overstated property values, and even failed to disclose that certain properties had been lost to foreclosure or were facing foreclosure.

9. In addition, Glover made oral misrepresentations in order to entice Clients to invest. Glover represented to investors that Colonial Tidewater was a low risk investment that was suitable for all Clients, regardless of income or financial status. He also falsely promised certain investors guaranteed rates of return, safety of principal, and liquidity. Glover failed to disclose that it was unlikely that investors would be able to redeem their investment in light of the fact that many of Colonial Tidewater's properties were highly mortgaged and were not income generating.

10. While the PPMs permitted Glover to receive fees as a managing member of Colonial Tidewater, Glover orally represented to many Clients that he was not receiving compensation for his work relating to Colonial Tidewater. To the contrary, Glover and Williams were receiving commissions from Colonial Tidewater on a quarterly basis of approximately three percent of investment monies Glover solicited. Glover and Williams split these commissions equally. From 2005 through 2011, Glover and Williams received commissions totaling approximately \$188,382.

11. While Glover solicited Signator Clients to invest in Colonial Tidewater, Williams was aware of Glover's solicitations and that Colonial Tidewater was not an authorized or approved Signator investment. Following the Clients' investments in Colonial Tidewater, Glover and Williams actively serviced Clients with respect to their investments in Colonial Tidewater. They met with investors in the Towson OSJ, maintained Client files in the office relating to Colonial Tidewater, and most importantly, provided Clients with Albridge reports that reflected their Clients' investments in Colonial Tidewater. Williams failed to disclose to his advisory Clients his receipt of commissions associated with the Clients' purchases of the partnership units issued by Colonial Tidewater.

12. Glover, in conjunction with Williams, was able to conduct his fraud over a period of years by giving Clients the false impression that Colonial Tidewater was a Signator-approved investment, subject to all of the same requirements and oversight as its other financial products.

13. Based on the conduct described above, Glover violated Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act, and Williams violated Sections 206(1) and 206(2) of the Advisers Act.

#### **Signator's Failure to Have Reasonable Policies and Procedures Regarding Consolidated Reports**

14. During the relevant time period, Signator failed to have reasonable policies and procedures for the creation, use, and review of consolidated reports. A "consolidated report" is a single document that combines information regarding most or all of a customer's or client's financial holdings, regardless of where those assets are held. Beginning in 2004, Signator enabled its financial representatives to create consolidated reports, known as Albridge reports, using software licensed from Albridge Solutions, Inc. Signator charged financial representatives a monthly fee to use the Albridge system. Glover and Williams began using the Albridge system in approximately 2005.

15. The Albridge system enabled financial representatives to access electronic data to create, for distribution to customers and clients, a consolidated report showing a customer's or client's total holdings, including those within Signator brokerage accounts, Signator advised accounts, as well as certain third-party advised accounts, variable annuities, and insurance products. The top of each page of an Albridge report listed the financial representative's name, title, "Signator Investors, Inc.," and the financial representative's address and telephone number.

16. The Albridge system also had a manual entry function that permitted a financial representative to add information manually into the report. For example, representatives could manually add investments and the purported value of such investments into a customer's or client's report. The manual entry function was intended to allow the financial representative to include in the report other investments to provide the customer or client with a comprehensive view of his or her financial condition by including all holdings, whether or not they were held through Signator.

17. The Albridge system maintained by Signator allowed for the overwriting of old electronic reports and the periodic purging of such files. Financial representatives largely treated Albridge reports like other documents shown to customers and clients, and put copies of the reports in client files.

18. Signator understood the Albridge reports were being provided to customers and clients and was aware of the manual entry function and its use by financial representatives.

19. Notwithstanding its knowledge of the existence of the manual entry function in Albridge reports and that financial representatives used the function, Signator had no policies and procedures governing financial representatives' creation, use, or dissemination of the reports. For example, Signator had no policies and procedures instructing financial representatives as to the content of Albridge reports, including what information could or could not be included.

20. Finally, Signator had no policy or procedure governing how the representative-created Albridge reports were to be reviewed. No one at Signator had responsibility for overseeing the content of Albridge reports or for reviewing the reports before Glover and Williams sent them to the Clients. There was no review of manually entered data that was included in the reports.

**Signator's Lack of Reasonable Policies  
and Procedures Led to Failure to Prevent or Detect the Fraud**

21. Glover and Williams frequently provided Signator Clients with Albridge reports reflecting investments purchased through Signator as well as their outside holdings in Colonial Tidewater. The Colonial Tidewater investment was either included within a section of the report titled "Manual Accounts" or on a page attached to the back of the report, setting forth the purported amount of the investment.

22. When Glover and Williams' conduct came to light, the client files for Signator Clients they serviced contained at least 300 Albridge reports reflecting investments in Colonial Tidewater totaling millions of dollars.

23. The lack of reasonable policies and procedures governing the creation, use, and review of Albridge reports resulted in Signator's failure to identify and prevent the fraud that was being committed by Glover and Williams. If Signator had reasonable policies and procedures governing Albridge reports, Glover and Williams' fraud likely would have been uncovered due to

the substantial number of their Clients investing in Colonial Tidewater and the sheer number of Albridge reports containing references to Colonial Tidewater. Supervisory review of the reports would have highlighted a number of red flags that should have prompted follow-up with Glover and Williams regarding Colonial Tidewater, how they were marketing Colonial Tidewater to brokerage customers and advisory clients, and whether Glover and Williams had and disclosed any conflicts of interest, such as receipt of commissions.

### **Signator Enhances Oversight of Consolidated Reports**

24. In March 2013, Signator hired a consultant to undertake a comprehensive review of its supervisory systems. With the assistance of the consultant, Signator has reviewed, evaluated, and enhanced its supervisory and compliance systems, including by instituting formal training and written policies and procedures concerning the creation, use, and review of Albridge reports. Significant to the improvement of its systems, Signator also eliminated the manual entry function from the Albridge reports in 2014.

### **Mitchell's Failure to Reasonably Implement Signator's Policies and Procedures Regarding Client File Reviews**

25. In relevant part, Signator's policies and procedures required a supervisor to conduct two client file reviews each calendar year of each financial representative. During the client file review, the supervisor selected a sampling of a financial representative's files for review to ensure that the file was properly maintained and contained all required documentation.

26. Beginning in 2009, Mitchell was responsible for conducting client file reviews for each financial representative in the Towson OSJ, including the files maintained for Signator Clients serviced by Glover and Williams. Mitchell, who worked out of the Vienna OSJ, traveled to the Towson OSJ one or two times per month to conduct the client file reviews.

27. Signator's policies and procedures required that Mitchell select the files to be reviewed and that his selection be "random."

28. Rather than follow Signator's policies and procedures for conducting client file reviews, Mitchell either allowed representatives to select which files were to be reviewed or provided a pre-selected list of names of client files to be reviewed.

29. By allowing financial representatives in the Towson OSJ to select which files were to be reviewed or providing representatives with a pre-selected list of which client files he intended to review in advance, rather than randomly selecting them on-site, Mitchell provided Glover and Williams with the ability to remove all references to Colonial Tidewater prior to his review. As a result of Mitchell's failure to implement Signator's policies and procedures regarding client file reviews, Glover's fraudulent scheme and Williams' involvement in the scheme remained undetected.

30. On multiple occasions, Signator's Supervision Department notified Mitchell that he was not conducting client file reviews in accordance with Signator's policies and procedures. Despite Mitchell's acknowledgement that he was not complying with the firm's policies and procedures, Mitchell continued to allow financial representatives to select their own client files for review or provided representatives with a list of names of client files to be reviewed in advance, rather than randomly selecting them on-site.

31. In May 2011, Signator's then Regional Supervision Consultant told Mitchell that he was not conducting client file reviews in accordance with Signator's procedures and discussed the dangers inherent in Mitchell's practice of giving financial representatives the list of client file names in advance. Despite agreeing to change his practice, Mitchell did not.

32. Again in November 2011, Signator's then Regional Supervision Director informed Mitchell via email that he was not following Signator's procedures in conducting client file reviews by allowing financial representatives to select their own files to be reviewed. Even after Mitchell learned of Glover's fraud and Williams' role in the fraud, he continued to allow financial representatives to select their client files for review or provided representatives with a pre-selected list of client files that he intended to review.

33. In addition to allowing Glover and Williams to select their client files to be reviewed or providing the names of client files to be reviewed in advance, Mitchell generally conducted only one combined client file review for both Glover and Williams, rather than separate file reviews for each. As a result, Mitchell reviewed approximately one-half of the total number of client files for Glover and Williams that were required by Signator's policies and procedures. In light of the significant number of Glover's and Williams' customers and clients who were invested in Colonial Tidewater, if Mitchell had both randomly selected and selected the correct number of client files for review in accordance with firm policies, it is likely that Mitchell would have detected red flags that would have led to discovery of the fraud.

34. A variety of documents referencing Colonial Tidewater were found in Glover's and Williams' Client files in addition to Albridge reports. These documents included letters, faxes, and emails referencing investments in Colonial Tidewater. In addition, Client files also contained Colonial Tidewater transfer documents, which were signed by Clients, authorizing the transfer of funds from Signator-approved investments to Colonial Tidewater. Given the quantity of Colonial Tidewater related correspondence, emails, transfer documents, and other documents such as Albridge reports found in Glover's and Williams' Client files and the fact that a large number of their brokerage customers and advisory clients invested in Colonial Tidewater, had Mitchell conducted the client file reviews in accordance with Signator's policies and procedures, it is likely that he would have uncovered the violations.

### **Supervisory Failures and Violations**

35. Section 15(b)(4)(E) of the Exchange Act allows for the imposition of a sanction against a broker or dealer who "has failed reasonably to supervise, with a view to preventing violations of the securities law, another person who commits such a violation, if such other person

is subject to his supervision.” The Commission has emphasized that the “responsibility of broker-dealers to supervise their employees by means of effective, established procedures is a critical component in the federal investor protection scheme regulating the securities markets.” See, e.g., La Jolla Capital Corp., Exchange Act Rel. No. 41755, 1999 SEC LEXIS 1642 (Aug. 18, 1999). Section 15(b)(6) incorporates by reference Section 15(b)(4)(E) and allows for the imposition of sanctions against persons associated with a broker or dealer for failing reasonably to supervise. Similarly, Section 203(e)(6) of the Advisers Act authorizes the Commission to impose sanctions against an investment adviser if the adviser fails reasonably to supervise, with a view to preventing violations of the securities laws, another person who commits such a violation, if that person is subject to the adviser’s supervision. Under Section 203(f) of the Advisers Act, which incorporates by reference to Section 203(e)(6), the Commission may also seek sanctions where an associated person has failed reasonably to supervise, with a view to preventing violations of the federal securities laws and rules thereunder, another person subject to the investment adviser’s or associated person’s supervision who commits such violations. The Commission has repeatedly emphasized that the duty to supervise is a critical component of the federal regulatory scheme. See, e.g., Thomas C. Palmer and Aeneas Capital Mgmt., L.P., Advisers Act Rel. No. 1693, 2008 SEC LEXIS 1693 (July 23, 2008).

36. As a result of the conduct described above, Signator and Mitchell failed reasonably to supervise Glover and Williams with a view to preventing and detecting Glover’s willful violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1) and 206(2) of the Advisers Act, and Williams’ willful violations of Sections 206(1) and 206(2) of the Advisers Act.

37. As a result of the conduct described above, Signator willfully violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder, which requires, among other things, that registered investment advisers adopt and implement written policies and procedures reasonably designed to prevent violations by the investment adviser and its supervised persons of the Advisers Act and rules. Signator failed to adopt and implement policies and procedures for the creation, use, and review of Albridge reports, and, as a consequence, Glover’s and Williams’ fraud remained undetected.

### **Remedial Efforts**

38. In determining to accept Signator’s Offer, the Commission considered the remedial acts taken by Signator, referenced in paragraph 24.

### **Fair Fund**

39. Respondent Signator has agreed that neither it nor its officers, agents, servants, employees, parents, affiliates, assigns and those acting on its behalf will seek or accept any payments or any other recovery from the Fair Fund created pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended. In determining whether to accept the Offer, the Commission has considered this agreement.

## Undertaking

40. Respondent Mitchell shall provide to the Commission, within 10 days after the end of the twelve (12) month suspension period described above, an affidavit that he has complied fully with the sanctions described in Section IV below.

### IV.

In view of the foregoing, the Commission deems it appropriate, and in the public interest, to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Section 15(b) of the Exchange Act and Sections 203(e) and 203(f) of the Advisers Act, it is hereby ORDERED that:

A. Respondent Signator is censured.

B. Respondent Signator shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$450,000 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Signator as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to G. Jeffrey Boujoukos, Associate Regional Director, Philadelphia Regional Office, Securities and Exchange Commission, 1617 JFK Boulevard, Suite 520, Philadelphia, PA 19103.

C. Respondent Mitchell be, and hereby is, suspended from associating in a supervisory capacity with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor,

transfer agent, or nationally recognized statistical rating organization for a period of twelve (12) months, effective on the second Monday following the entry of this Order.

D. Respondent Mitchell shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$15,000 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Mitchell as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to G. Jeffrey Boujoukos, Associate Regional Director, Philadelphia Regional Office, Securities and Exchange Commission, 1617 JFK Boulevard, Suite 520, Philadelphia, PA 19103.

E. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the civil money penalties referenced in paragraphs B and D above for distribution to affected investors. The Fair Fund may accept funds, such as civil money penalties, disgorgement, and prejudgment interest, paid in a related federal court action or administrative proceeding arising out of the same underlying facts. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of civil penalties in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes

of this paragraph, a “Related Investor Action” means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

**V.**

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent Mitchell, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent Mitchell under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent Mitchell of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Brent J. Fields  
Secretary