INVESTORS CAPITAL HOLDINGS LTD
Form 10-Q
August 12, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
[**X**] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2010

Commission File Number: 333-43664

INVESTORS CAPITAL HOLDINGS, LTD.
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	04-3284631 (I.R.S. Employer Identification No.)

230 Broadway E.
Lynnfield, Massachusetts 01940
(Address of principal executive offices)

(781) 593-8565
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act).

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

There were 6,591,131 shares outstanding of the issuer s common stock, par value $.01 per share, as of August 10, 2010.

Investors Capital Holdings, Ltd. report on form 10-Q
Quarter Ended June 30, 2010

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

INVESTORS CAPITAL HOLDINGS, LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	June 30, 2010	March
Assets		
Current Assets		
Cash and cash equivalents	$ 5,729,854	$
Deposit with clearing organization, restricted	175,000	
Accounts receivable	4,831,567	
Note receivable - (current)	109,859	
Loans receivable from registered representatives (current), net of allowance	716,924	
Prepaid income taxes	592,548	
Securities owned at fair value	2,862	
Investments	50,000	
Prepaid expenses	1,179,781	
	13,388,395	

Property and equipment, net		688,909	
Long Term Investments			
Loans receivable from registered representatives		314,922	
Note receivable		595,000	
Investments		171,972	
Non-qualified deferred compensation investment		858,816	
Cash surrender value life insurance policies		558,664	
		2,499,374	
Other Assets			
Other assets		23,121	
Deferred tax asset, net		838,400	
Capitalized software, net		126,988	
		988,509	
TOTAL ASSETS	**$**	**17,565,187**	**$**
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable		$ 815,687	
Accrued expenses		2,048,286	
Commissions payable		2,748,740	
Notes payable		737,651	
Unearned revenues		110,221	
Securities sold, not yet purchased, at fair value		74,770	
		6,535,355	
Long-Term Liabilities			
Non-qualified deferred compensation plan		809,148	
		809,148	
Total liabilities		7,344,503	
Stockholders' Equity:			
Common stock, $.01 par value, 10,000,000 shares authorized;			
6,595,016 issued and 6,591,131 outstanding at June 30, 2010;			
6,595,804 issued and 6,591,919 outstanding at March 31, 2010.		65,950	
Additional paid-in capital		12,142,257	
Accumulated deficit		(1,974,874)	
Less: Treasury stock, 3,885 shares at cost		(30,135)	
Accumulated other comprehensive income		17,486	
Total stockholders' equity		10,220,684	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$**	**17,565,187**	**$**

See Notes to Condensed Consolidated Financial Statements

INVESTORS CAPITAL HOLDINGS, LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED JUNE 30, 2010 AND 2009 (UNAUDITED)

		2010		2009
Revenue:				
Commissions	$	16,994,941	$	15,712,80
Advisory fees		3,414,729		2,432,18
Other fee income		190,183		141,67
Other revenue		342,120		328,16
Total revenue		20,941,973		18,614,83
Expenses:				
Commissions and advisory fees		16,524,227		14,377,81
Compensation and benefits		2,009,067		1,671,93
Regulatory, legal and professional services		804,873		615,62
Brokerage, clearing and exchange fees		591,187		678,66
Technology and communications		308,831		247,49
Marketing and promotion		334,227		197,90
Occupancy and equipment		214,837		229,11
Other administrative		184,851		295,55
Interest		6,874		10,58
Total operating expenses		20,978,974		18,324,69
Operating income (loss)		(37,001)		290,13
(Benefit) provision for income taxes		(26,211)		238,60
Net income (loss)	$	(10,790)	$	51,53
Basic and diluted net income (loss) per share	$	(0.00)	$	0.0
Shares used in basic and diluted per share calculations		6,541,129		6,483,69

See Notes to Condensed Consolidated Financial Statements

INVESTORS CAPITAL HOLDINGS, LTD. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED JUNE 30, 2010 AND 2009 (UNAUDITED)

		2010		2009
Cash flows from operating activities:				
Net income (loss)	$	(10,790)	$	
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization		91,270		
Recovery of allowance for doubtful accounts on loans receivable		-		
Valuation allowance income taxes		-		
Deferred taxes		373		
Stock-based compensation		46,387		
Unrealized loss (gain) in marketable securities		679		
Non-qualified deferred compensation investment		8,691		
Loss on disposal of equipment		-		
Market adjustment cash surrender value life insurance policy		10,956		
Charge to commission expense (forgivable loans)		7,393		
Change in operating assets and liabilities:				
Accounts receivable		1,210,620		
Prepaid expenses and other		(130,847)		
Loans receivable from registered representatives		22,908		
Prepaid income taxes		(33,541)		
Accounts receivable - Fidelity Bond		-		
Accounts payable		(2,074)		
Securities, net		123,469		
Accrued expenses		(310,369)		
Commissions payable		(739,675)		
Unearned revenues		8,290		
Net cash provided by (used in) operating activities		303,740		
Cash flows from investing activities:				
Acquisition of property and equipment		(5,997)		
Cash surrender value life insurance policies		(18,222)		
Payment on note receivable		30,739		
Purchase of investments		-		
Net cash provided by (used in) investing activities		6,520		
Cash flows from financing activities:				
Payments on note payable		(393,271)		
Net cash used in financing activities		(393,271)		
Net decrease in cash and cash equivalents		(83,011)		
Cash and cash equivalents, beginning of period		5,812,865		
Cash and cash equivalents, end of period	$	5,729,854	$	
Supplemental disclosures of cash flow information:				
Interest paid	$	6,874	$	
Income taxes paid	$	2,000	$	

See Notes to Condensed Consolidated Financial Statements.

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Quarter Ended June 30, 2010

INVESTORS CAPITAL HOLDINGS, LTD. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2010 (UNAUDITED)

NOTE 1 - ORGANIZATION, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Incorporated in July 1995 under Massachusetts law and redomiciled under Delaware law in November 2007, Investors Capital Holdings, Ltd. ("ICH") is a holding company whose wholly-owned subsidiaries assist a nationwide network of independent registered representatives ("representatives") in providing a diversified line of financial services to the public including securities brokerage, investment advice, asset management, financial planning and insurance. Our subsidiaries include the following:

- Investors Capital Corporation ("ICC") is duly registered under the Securities Exchange Act of 1934, the Investment Advisers Act of 1940 and applicable state law to provide broker-dealer and investment advisory services nationwide. ICC s national network of independent financial representatives is licensed to provide these services through ICC under the regulatory purview of the Securities and Exchange Commission (the SEC), the Financial Industry Regulatory Authority (FINRA) and state securities regulators. ICC executes and clears its public customer accounts on a fully disclosed basis through Pershing, LLC. (Pershing). ICC, doing business as Investors Capital Advisors (ICA), also provides investment advisory services.
- ICC Insurance Agency, Inc. facilitates the sale of insurance and annuities by our representatives.
- Investors Capital Holdings Securities Corporation ("ICH Securities") holds cash, cash equivalents, interest income and dividend income for ICH.

INTERIM FINANCIAL REPORTING:

The accompanying interim unaudited condensed consolidated financial statements of Investors Capital Holdings, Ltd. and its subsidiaries (the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Quarterly Report on Form 10-Q. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, these financial statements contain all of the adjustments necessary for a fair presentation of the results of the interim periods presented. Operating results for the three month period ended June 30, 2010 are not necessarily indicative of the results that may be expected for the year ending March 31, 2011. The balance sheet at March 31, 2010 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to the audited consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K (the Form 10-K) for the fiscal year ended March 31, 2010 filed with the SEC.

USE OF ESTIMATES AND ASSUMPTIONS:

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, if any, at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS:

Certain amounts in 2009 were reclassified to provide comparison with 2010 classifications. These reclassifications had no effect on previously reported results of operations.

SIGNIFICANT ACCOUNTING POLICIES:

Revenue recognition

The Company s revenue recognition policies are summarized below.

Mutual Funds/Variable Annuities. Revenue from the sale of mutual funds and variable annuities is recognized as of the date the check and application is accepted by the investment company.

Brokerage. The Company earns commissions through stock purchase and sale transactions, mutual fund purchases, government and corporate bonds transactions, fee-based managed accounts and ticket charges. The Company also earns revenue in the form of 12b-1 fees and interest on account balances. The earnings process is substantially complete at trade date in accordance with the rules of FINRA and the SEC.

The Company also receives credit for clearing charge adjustments that are netted against any clearing charges the Company may incur for the period. These adjustments are recognized as income in the period received unless otherwise noted by the clearing Company.

Unrealized gains and losses are recorded at the time that the Company reconciles its trading positions with the market value. The unrealized gains or losses are adjusted to market until the position is settled or the trade is cancelled.

Advisory Fees. Our managed accounts advisory fees are based on the amount of assets managed per agreement negotiated between our independent representatives and their clients. These revenues are recorded quarterly as and when billed based on the fair market value of assets managed throughout the quarter. Any portion remaining uncollected due to account adjustments after account rebalancing is charged against earnings at quarter end.

Administration Fees. Administration fees for services rendered to the Company s representatives respecting annual FINRA license renewals and Error and Omissions (E&O) insurance are recognized as revenue upon registration of the representative with FINRA and listing of the registered representative with the E&O insurance carrier. The funds received from the registered representative are initially recorded as unearned revenue. The amounts collected in excess of the E & O insurance premium and/or fees due FINRA, if any, are recognized as revenue. Fees collected to maintain books and records are deferred and recognized ratably throughout the year.

Other Revenue. Revenue from marketing associated with product sales is recognized quarterly based on production levels. Marketing event revenues are recognized at the commencement of each event offset by its costs.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk contist of cash and cash equivalents. At times, our cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits for cash and cash equivalents not covered by the Depositors Insurance Fund of Massachusetts. Cash and cash equivalents held at our clearing broker-dealer is fully insured up to $500,000.

Receivables

Trade Receivables. Substantially all trade receivables reflect amounts due from clearing broker. As prescribed by the SEC, trade receivables usually settle within three days. If a trade error results, the Company pursues remedies to collect on the trade error. The Company does not record a receivable resulting from a trade error that is in litigation or whose outcome is otherwise not reasonably determinable. In such a case, the Company applies any proceeds from settlements or insurance against any trade losses incurred.

Loans to representatives. Management performs periodic evaluations and provides an allowance based on the assessment of specifically identified unsecured receivables and other factors, including the representative's payment history and production levels. Once it is determined that it is both probable that a loan has been impaired, typically due to the termination of the relationship, and the amount of loss can reasonably be estimated, the portion of the loan balance estimated to be uncollectible is so classified. Loans charged to commission expense, upon the representative meeting their respective forgiveness target totaled $7,393 and $40,595 for the quarters ended June 30, 2010 and 2009, respectively. See Note 6, Loans to Registered Representatives .

Internal Use Software

Cost incurred in the preliminary stages of development are expensed as incurred. Once an application has reached the development stage, internal and external costs, if direct and incremental, are capitalized until the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Training costs are expensed as incurred. Internal use software is amortized on a straight-line basis over its estimated useful life, generally three years.

Income Taxes

The Company uses the asset and liability method to account for income taxes, which requires recognition of deferred tax assets, subject to valuation allowances, and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income or loss in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Management believes it is more likely than not that the remaining deferred tax assets will be realized.

The Company reserves for potential payments of tax to various tax authorities related to uncertain tax positions and other issues. Reserves related to uncertain tax positions are based on a determination of whether and how much of a tax benefit taken in our tax filings or positions is more likely than not to be realized, assuming that the matter in question will be raised by the tax authorities. Potential interest and penalties associated with such uncertain tax positions are recorded as a component of income tax expense. We believe appropriate provisions for outstanding issues have been made.

Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before the consolidated financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the cosolidated financial statements.

NOTE 2 - SEGMENT INFORMATION

Operating segments are defined as components of a business about which separate financial information of the segment is available that is regularly evaluated by management in deciding how to allocate resources and in assessing performance. The Company evaluates performance based on profit and loss from operations before income taxes not including nonrecurring gains and losses.

The Company's reportable operating segments are (i) broker/dealer and related services offered through ICC and (ii) asset management (investment advisory) services offered through ICC, doing business as ICA, and, until recently, EPA. The segments are strategic business units that are managed separately. They operate under different regulatory systems, provide different services and require distinct marketing strategies and varied technological and operational support. They also have differing revenue models; ICC earns transactional commissions and various fees in connection with the brokerage of securities for its customers, whereas ICA generates recurring revenue from fees that are based on the value of assets under management.

The Company accounts for inter-segment services and transfers as if the services or transfers were to third parties, that is, at current market prices. In presenting segment data, all corporate overhead items are allocated to the segments, and inter-segment revenue, expense, receivables and payables are eliminated. Currently it is impractical to report segment information using geographical concentration.

Assets are allocated among ICH and its subsidiaries based upon legal ownership and the services provided. Total period-end assets are presented on a stand-alone basis, i.e., without inter-company eliminations. The Company does not allocate income taxes or unusual items to segments. Corporate items and eliminations are presented in the following table for the purpose of reconciling the stand-alone asset amounts to total consolidated assets.

The Company has an expense sharing agreement which revised the previous method of allocating expenses. Prior to the new expense sharing agreement, ICH s expenses were absorbed by its principal operating subsidiary, ICC, as overhead, and these expenses were then further allocated between the operating segments pro rata to their respective revenue.

Under the expense sharing agreement there are no such ICH-generated overhead expenses. Instead, management allocates all expenses separately to the parent and ICC, including allocation of costs associated with shared personnel, based upon time studies and a determination of which entities are the beneficiaries of the services rendered by the personnel. Within ICC, expenses are further allocated between the two segments, ICC and ICA as follows: overhead expenses pro rata to revenue, direct full-time and time-shared employee costs based on the segments being served, and other personnel-related expenses pro rata to head count.

ICC agreed to reimburse ICH in the form of a management fee, The Management Fee Agreement , for ICH-incurred overhead expenses that are necessary for ICC to effectively conduct its operations. This overhead primarily is in the nature of salaries and professional and legal fees incurred to obtain such services as audit engagements, legal advice, and industry expertise.

The Company in reviewing its net capital requirement will assess the ongoing risk these agreements may have on the firm s net capital.

Segment reporting is as follows:

	June 30, 2010				
	ICC	**ICA**	**ICH**	**ICH Securities**	**Totals**
Non-interest revenue	$ 17,390,037	$ 3,459,011	$ (8,692)	$ -	$ 20,840,355
Interest and dividend income, net	101,545	-	60	13	101,618
Depreciation and amortization	90,103	1,167	-	-	91,270
Income (loss)	(303,665)	366,132	(99,481)	13	(37,001)
	ICC	**ICA**	**ICH**	**ICH Securities**	**Totals**
Period end total assets	14,382,736	1,302,757	2,518,776	10,251	18,214,520
Corporate items and eliminations	N/A	N/A	N/A	N/A	(649,333)
Total assets					$ 17,565,187

	June 30, 2009				
	ICC	**ICA**	**ICH**	**ICH Securities**	**Totals**
Non-interest revenue	$ 16,000,443	$ 2,504,761	$ (2,489)	$ -	$ 18,502,715
Interest and dividend income, net	109,492	-	2,615	13	112,120
Depreciation and amortization	86,975	1,167	-	-	88,142
Income (loss)	385,596	250,695	(584,768)	13	51,536
	ICC	**ICA**	**ICH**	**ICH Securities**	**Totals**
Period end total assets	13,691,669	1,271,104	2,371,787	10,200	17,344,760
Corporate items and eliminations	N/A	N/A	N/A	N/A	(252,354)
Total assets					$ 17,092,406

NOTE 3 - LITIGATION AND REGULATORY MATTERS

In the ordinary course of business, the Company and its subsidiaries are routinely defendants in or parties to pending and threatened legal actions and proceedings brought on behalf of various claimants, some of which seek material and/or indeterminable amounts. Certain of these actions and proceedings are based on alleged violations of consumer protection, securities and other laws and may involve claims for substantial monetary damages asserted against the Company and its subsidiaries. Also, the Company and its subsidiaries are subject to regulatory examinations, information gathering requests, inquiries, investigations and formal administrative proceedings that may result in fines or other negative impact on the Company. ICC, as a dually registered broker/dealer and investment advisor, is subject to regulation by the SEC, FINRA, NYSE Euronext (formerly the American Stock Exchange) and other state securities regulators.

The Company maintains Errors and Omissions ("E&O") insurance to protect itself from potential damages and/or legal costs associated with certain litigation and arbitration proceedings and, as a result, in the majority of cases the Company s exposure is limited to $100,000 in any one case, subject to policy limitations and exclusions. The Company also maintains a fidelity bond to protect itself from potential damages and/or legal costs related to fraudulent activities pursuant to which the Company s exposure is usually limited to $350,000 deductible per case, subject to policy limitations and exclusions.

The Company had accrued expenses of approximately $915,000 and $765,000 as of June 30, 2010 and March 31, 2010, respectively, related to legal fees and estimated probable settlement costs relating to the Company s defense in various lawsuits. Some of the legal and regulatory matters could require the Company to pay damages or make other expenditures or establish accruals in amounts that could not be reasonably estimated as of June 30, 2010.

NOTE 4 - STOCK BASED COMPENSATION

The Company measures and recognizes compensation expense for all share-based awards made to representatives, officers, employees and directors based on estimated fair values. Under the modified prospective transition method selected by the Company, all equity-based awards granted to employees and modifications of existing awards are accounted for at fair value with compensation expense recorded as a component of net (loss) income. The Company periodically issues common stock to employees, directors, officers, representatives and other key individuals in accordance with the provisions of the shareholder approved equity compensation plans.

Stock Awards

Shares of stock granted under Company s equity incentive plans (the Equity Plans) as of June 30, 2010 have been either fully vested at date of grant or subject to vesting over time periods varying from one to five years after the date of grant, unvested shares being subject to forfeiture in the event of termination of the grantee s relationship with the Company, other than for death or disability. The compensation cost associated with these stock grants is recognized over the vesting period of the shares and is calculated as the market value of the shares on the date of grant. Stock grants have been recorded as deferred compensation, which is a component of paid-in capital within stockholders equity on the Company s Consolidated Balance Sheets.

The following activity occurred during the three months ended June 30, 2010:

	Shares	Weighted Ave Stock Price	Weighted Average Vested Life	Fair Value $
Non-vested at April 1, 2010	62,863	$ 3.50	1.91 years	$ 220,021
Granted	-			-
Vested	(12,698)	$ 3.69		(46,856)
Canceled	(788)	$ 2.76		(2,175)
Non-vested at June 30, 2010	49,377	$ 3.47	1.47 years	$ 171,338

The following activity occurred during the three months ended June 30, 2009:

	Shares	Weighted Ave Stock Price	Weighted Average Vested Life	Fair Value $
Non-vested at April 1, 2009	96,913	$ 4.11	1.66 years	$ 398,312
Granted	-			-
Vested	(14,584)	$ 4.27		(62,274)
Canceled	(333)	$ 4.90		(1,632)
Non-vested at June 30, 2009	81,996	$ 4.08	1.48 years	$ 334,544

The Company s net income for the three months ended June 30, 2010 includes $0.03 million of compensation costs related to the Company s grants of restricted stock to executives and employees and $0.02 million for grants to independent representatives, under the Plan. The Company s net income for the three months ended June 30, 2009 includes $.04 million of compensation costs related to the Company s grants of restricted stock to executives and employees and $.03 million for grants to independent representatives, under the Equity Plans.

As of June 30, 2010 there was $171,338 of unrecognized compensation cost related to grants under the Equity Plans.

Stock Option Grants

The following table summarizes information regarding the Company's employee and director fixed stock options as of June 30, 2010 and 2009:

Employees , Director and Officers	**2010**		**2009**	
Fixed Options	**Shares**	**Weighted-Average Exercise Price**	**Shares**	**Weighted-Average Exercise Price**
Outstanding at beginning of year	150,000	$1.00	150,000	$1.00
Granted	-		-	
Forfeited	-		-	
Exercised	-		-	
Reclassified(non-employee)	-		-	
Outstanding at quarter end	150,000	$1.00	150,000	$1.00
Options exercisable at quarter-end	150,000		150,000	

The following table summarizes further information about employee and Directors' fixed stock options outstanding as of June 30, 2010 and 2009:

Options Outstanding			Options Exercisable	
		Weighted-Average		

Range Of Exercise Prices	Number Outstanding	Remaining Contractual Life	Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$1.00	150,000	No Stated Maturity	$1.00	150,000	$1.00

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Quarter Ended June 30, 2010

NOTE 5 - NOTE RECEIVABLE

On October 24, 2005, the Company entered into an agreement (the Transition Agreement) with Dividend Growth Advisors, LLC (DGA). Pursuant to the Transition Agreement, the Company agreed to terminate its Investment Advisory Agreement with Eastern Point Advisors Funds Trust (the Trust) effective October 18, 2005 and to permit the appointment by the Trust of DGA to succeed the Company as the Trust s investment advisor. Under the terms of the Transition Agreement and an associated promissory note (the Note), the receivable owed by the Funds to the Company was assigned to DGA and DGA agreed to pay the Company an amount equal to the total of all fees that the Company had waived or remitted to a fund in the Trust through October 18, 2005.

The Note provides for a principal amount of $747,617, quarterly payments of interest accruing thereon at 5.5% and a full payment on or before October 31, 2010. The terms of this note were modified, effective March 3, 2010. Specifically, the maturity was extended for four years to October 31, 2013. Total outstanding as of June 30, 2010 and March 31, 2010 was $704,859 and $735,598, respectively. Prepayments are permitted without penalty. The interest accrued on this note was $9,859 and $2,981, respectively, at June 30, 2010 and March 31, 2010.

NOTE 6 - LOANS TO REGISTERED REPRESENTATIVES

ICC has granted loans to certain registered representatives with the stipulation that the loans will be forgiven if the representatives remain licensed with the Company for an agreed upon period of time, generally one to five years, and/or meet specified performance goals. Upon forgiveness, the loans are charged to commission expense for financial reporting purposes.

Some loans to registered representatives are not subject to a forgiveness contingency. These loans, as well as loans that have failed the forgiveness contingency, are repaid to the Company by deducting a portion of the representatives commission payouts throughout the commission cycle until the loans are repaid. Interest charged on these loans to representatives range from 3% to 11.25% annually. Loans to registered representatives included in receivables from employees and registered representatives are as follows at June 30, 2010 and March 31, 2010:

	June 30, 2010	**March 31, 2010**
Loans to representatives		
Forgiveable	$ 888,840	$ 854,005
Other loans	179,378	244,514
Less: allowance	(36,372)	(36,372)
Total loans	$ 1,031,846	$ 1,062,147

NOTE 7 - INVESTMENTS

As of June 30, 2010 and March 31, 2010, the Company owned investments classified as held to maturity through March 12, 2011. These investments are presented at face value as follows:

Purchase Date	**Purchase Price**	**Description**	**Face Value**	**Interest D**

			Insight Real Estate Series 2007-A			
12/1/2009	$	50,000	Secured Debentures	$	50,000	Quarterly

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Quarter Ended June 30, 2010

NOTE 8 FAIR VALUE MEASUREMENTS

The Company s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- *Level 1* - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities the Company have the ability to access.
- *Level 2* - Inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly.
- *Level 3* - Inputs include unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

  (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company s own data.)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The following table presents the Company's fair value hierarchy for those financial assets and liabilities measured at fair value as of June 30, 2010 and March 31, 2010.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

June 30, 2010			**Fair Value Measurements of Reporting Date Using**		
	Total Fair Value of Asset or Liability		**Quotes Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Input (Level 2)**	**Significant Unobservable Inputs (Level**
Cash surrender value of life insurance policies	$	558,664	$ -	$ 558,664	$
Mutual funds[1]		858,816	858,816	-	
Investments		171,972	171,972	-	
Securities owned at fair value		2,862	2,862	-	
Total assets	**$**	**1,592,314**	**$ 1,033,650**	**$ 558,664**	**$**
Securities sold, not yet purchased, at fair value	$	74,770	$ 74,770		
Total liabilities	**$**	**74,770**	**$ 74,770**		

1 *Amount labeled as Mutual Funds are included in Non-qualified Deferred compensation investment on the Consolidated Balance Sheet.*

March 31, 2010			**Fair Value Measurements of Reporting Da**			
		Total Fair Value of Asset or Liability		**Quotes Prices in Active Markets for Identical Assets (Level 1)**		**Significant Other Observable Input (Level 2)**
Cash surrender value of life insurance policies	$	551,398	$	-	$	551,398
Mutual funds[1]		929,897		929,897		-
Investments		184,319		184,319		-
Securities owned at fair value		57,933		57,933		-
Total assets	**$**	**1,723,547**	**$**	**1,172,149**	**$**	**551,398**
Securities sold, not yet purchased, at fair value	$	5,693	$	5,693		
Total liabilities	**$**	**5,693**	**$**	**5,693**		

1 *Amount labeled as Mutual Funds are included in Non-qualified Deferred compensation investment on the Consolidated Balance Sheet.*

NOTE 9 NON-QUALIFIED DEFERRED COMPENSATION PLAN

Effective December 2007, the Company established the Investors Capital Holdings, Ltd. Deferred Compensation Plan (the NQ Plan) as well as a Rabbi Trust Agreement for this Plan. ICC is the NQ Plan s sponsor. The unfunded NQ Plan enables eligible ICC s Representatives to elect to defer a portion of earned commissions, as defined by the NQ Plan. The total amount of deferred compensation was $77,803 and $89,796 for three months ended June 30, 2010 and 2009, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis reviews our consolidated financial condition as of June 30, 2010 and March 31, 2010, the consolidated results of operations for the three months ended June 30, 2010 and 2009 and, as appropriate, factors that may affect future financial performance. The discussion should be read in conjunction with the condensed consolidated financial statements and related notes included elsewhere in this Form 10-Q. Unless context requires otherwise, as used in this Management s Discussion and Analysis (i) the current period means the three months ended June 30, 2010, (ii) the prior period means the three months ended June 30, 2009, (iii) an increase or decrease compares the current period to the prior period, and (iv) all non-comparative amounts refer to the current period.

FORWARD-LOOKING STATEMENTS

The statements, analysis, and other information contained herein relating to trends in our operations and financial results, the markets for our products, the future development of our business, and the contingencies and uncertainties to which we may be subject, as well as other statements including words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," "will," "should," "may," and other similar expressions, are "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Such statements are made based upon management's current expectations and beliefs concerning future events and their effects on the Company and are subject to many risks and uncertainties. Our actual results may differ materially from the results anticipated in these forward-looking statements. Readers are directed to discussions of risks and uncertainties that may be found in this report and other documents filed by the Company with the United States Securities and Exchange Commission. We specifically disclaim any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

Investors Capital Holdings, Ltd. report on form 10-Q

Quarter Ended June 30, 2010

OVERVIEW

We are a financial services holding company that, through our subsidiaries, provides brokerage, investment advisory, insurance and related services. We operate in a highly regulated and competitive industry that is influenced by numerous external factors such as economic conditions, marketplace liquidity and volatility, monetary policy, global and national political events, regulatory developments, competition and investor preferences. Our revenues and net earnings may be either enhanced or diminished from period to period by these and other external factors.

OUR BUSINESS

We operate primarily through our subsidiary, ICC, as a broker-dealer and, doing business as ICA, as a registered investment advisor, with a national network of independent financial representatives.

Broker-Dealer Services

We provide broker-dealer services in support of trading and investment by our representatives customers in securities, including corporate equity and debt securities, U.S. Government securities, municipal securities, mutual funds, limited partnerships and other alternative investments, variable annuities and variable life insurance. We also provide related services such as market information, Internet brokerage, portfolio tracking facilities and records management.

Investment Advisory Services

We provide investment advisory services, including asset allocation and portfolio rebalancing, for our representative s customers. In the past, investment advisory services were performed by both ICC and EPA. After consolidating our investment advisory services into ICA, EPA ceased operations and was dissolved in 2008.

Recruitment and Support of Representatives

A key component of our business strategy is to recruit well-established, productive representatives who provide superior service to their clients. Additionally, we assist our representatives in developing and expanding their business by providing a variety of support services and a diversified range of investment products for their clients. We focus on providing substantial added value to our representatives practices, enabling them to be more productive, particularly in high margin lines such as advisory services and brokerage.

Support provided to assist representatives in pursuing consistent, profitable sales growth takes many forms, including automated trading systems, targeted financial assistance and a network of communication links with investment product companies. Regional and national conventions provide forums for interaction to improve product knowledge, sales and client satisfaction. In addition, we provide our representatives with programs and tools to grow their businesses both through new client acquisition and advancement of existing client relationships. These programs enhance our ability to attract and retain productive representatives.

OUR PROCESS

Online Brokerage. Registered representatives have direct market access to submit security transactions for their clients through the use of an online brokerage platform for trade execution serviced by our clearing firm, Pershing LLC.

Check and Application. Check and application revenue is obtained through a process where a check and a product application is delivered to us for processing that includes principal review and submission to the variable annuity, mutual fund, direct participation or other investment product company. Investments in technology are facilitating our migration over time from a paper intensive to a more paperless process. This shortens the transaction cycle, reduces errors and creates greater efficiencies.

Bond Brokerage. Our fixed-income brokerage desk uses a network of regional and primary dealers to execute trades across a broad array of fixed income asset classes. The desk also utilizes dealer-only electronic services that allow the desk to offer inventory and to execute trades. Our fixed income traders work with our representatives to develop portfolios for clients.

Asset Allocation. Asset allocation services are made available through ICA. Our services include the design, selection and rebalancing of investment portfolios on behalf of our representatives' clients. We also provide tools, services and guidance that enable our representatives to provide these investment services directly to their clients. These services, for the most part, are conducted through our online brokerage platform. Other allocation services are performed directly by fund companies.

CRITICAL ACCOUNTING POLICIES

In General

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Company believes that of its significant accounting policies (see Note 1 to the Company s condensed consolidated financial statements contained herein), those dealing with revenue recognition, allowance for doubtful accounts receivable, and taxes involve a particularly high degree of judgment and complexity. Our accounting policies require estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the condensed consolidated financial statements. By their nature, estimates involve judgment based upon available information. Actual results or amounts can and do differ from estimates and the differences can have a material effect on the condensed consolidated financial statements. Therefore, understanding these policies is important to understanding the reported results of operations and the financial position of the Company.

Off Balance Sheet Risk

We execute securities transactions on behalf of our customers on a fully-disclosed basis. If either the customer or a counter-party fails to perform, we, by agreement with our clearing broker, may be required to discharge the obligations of the non-performing party. In such circumstances, we may sustain a loss if the market value of the security is different from the contract value of the transaction. We seek to control off-balance sheet risk by monitoring the market value of securities held or given as collateral in compliance with regulatory and internal guidelines. Pursuant to such guidelines, our clearing company requires that we reduce positions when necessary. We also complete credit evaluations where there is thought to be credit risk.

Reserves

We record reserves related to legal proceedings in accrued expenses in the condensed consolidated balance sheet. The determination of these reserve amounts requires significant judgment on the part of management. Management considers many factors including, but not limited to: the amount of the claim; the amount of the loss in the client s account; the basis and validity of the claim; the possibility of wrongdoing on the part of an employee or representative of the Company; previous results in similar cases; and legal precedents. Each legal proceeding is reviewed with counsel in each accounting period and the reserve is adjusted as deemed appropriate by management. Any change in the reserve amount is recorded in the condensed consolidated financial statements and is recognized as a charge/credit to earnings in that period. The assumptions made by management in determining the estimates of reserves may be incorrect and the actual costs upon settlement of a legal proceeding may be greater or less than the reserved amount.

KEY INDICATORS OF FINANCIAL PERFORMANCE FOR MANAGEMENT

Management periodically reviews and analyzes our financial performance across a number of measurable factors considered to be particularly useful in understanding and managing our business. Key metrics in this process include productivity and practice diversification of representatives, top line commission and advisory services revenues, operating expenses, legal costs, taxes, earnings per share and Adjusted EBITDA.

RESULTS OF OPERATIONS

	Percentage of Revenue	Percent
Quarter Ended June 30,		**Change**

			Quarter Ended June 30,		
	2010	2009	2010	2009	2010 vs 2009
Revenue:					
Commissions	$ 16,994,941	$ 15,712,809	81.2%	84.3%	8.2%
Advisory fees	3,414,729	2,432,188	16.3%	13.1%	40.4%
Other fee income	190,183	141,677	0.9%	0.8%	34.2%
Other revenue	342,120	328,161	1.6%	1.8%	4.3%
Total revenue	20,941,973	18,614,835	100.0%	100.0%	12.5%
Expenses:					
Commissions and advisory fees	16,524,227	14,377,819	79.0%	77.2%	14.9%
Compensation and benefits	2,009,067	1,671,936	9.6%	9.0%	20.2%
Regulatory, legal and professional services	804,873	615,624	3.8%	3.3%	30.7%
Brokerage, clearing and exchange fees	591,187	678,665	2.8%	3.6%	-12.9%
Technology and communications	308,831	247,490	1.5%	1.3%	24.8%
Marketing and promotion	334,227	197,908	1.6%	1.1%	68.9%
Occupancy and equipment	214,837	229,116	1.0%	1.2%	-6.2%
Other administrative	184,851	295,559	0.9%	1.6%	-37.5%
Interest	6,874	10,580	0.0%	0.1%	-35.0%
Total expenses	20,978,974	18,324,697	100.2%	98.4%	14.5%
Operating income (loss)	(37,001)	290,138	-0.2%	1.6%	-112.8%
(Benefit) provision for income taxes	(26,211)	238,602	-0.1%	1.3%	-111.0%
Net income (loss)	$ (10,790)	$ 51,536	-0.1%	0.3%	-120.9%
Adjusted EBITDA	$ 107,530	$ 541,128	0.5%	2.9%	-80.1%
Adjustments to conform Adjusted EBITDA to GAAP Net income (loss):					
Income tax benefit	87,133	231,671	0.1%	1.2%	-88.7%
Interest expense	(6,874)	(10,580)	0.0%	-0.1%	-35.0%
Income tax expense	(60,922)	(470,273)	0.0%	-2.5%	-100.0%
Depreciation and amortization	(91,270)	(88,142)	-0.4%	-0.5%	3.5%
Non-cash compensation	(46,387)	(68,783)	-0.2%	-0.4%	-32.6%
Non-recurring professional fees to evaluate strategic business opportunities	-	(83,485)	0.0%	-0.4%	-100.0%
Net income (loss)	$ (10,790)	$ 51,536	-0.1%	0.3%	-120.9%

Earnings before interest, taxes, depreciation and amortization (EBITDA), as adjusted by eliminating other non-cash expense, gains or losses on sales of assets, and various non-recurring items (adjusted EBITDA), is a key metric we use in evaluating our

financial performance. Adjusted EBITDA eliminates items that we believe are not part of our core operations, are non-recurring items of revenue or expense, or do not involve a cash outlay, such as stock-related compensation. We consider adjusted EBITDA important in monitoring and evaluating our financial performance on a consistent basis across various periods. We also use adjusted EBITDA as a primary measure, among others, to analyze and evaluate financial and strategic planning decisions.

Adjusted EBITDA is considered a non-GAAP financial measure as defined by Regulation G promulgated by the SEC under the Securities Act of 1933, as amended. Adjusted EBITDA should be considered in addition to, rather than as a substitute for, important GAAP financial measures including pre-tax income, net income and cash flows from operating activities. Items excluded from adjusted EBITDA are significant and necessary components to the operations of our business; therefore, adjusted EBITDA should only be used as a supplemental measure of our operating performance. First quarter 2010 EBITDA, as adjusted, was $0.11 million, a decrease of $0.43 million from first quarter 2009 EBITDA, as adjusted, of $0.54 million, primarily due to increased operating expenses.

Investors Capital Holdings, Ltd. report on form 10-Q

Quarter Ended June 30, 2010

PRODUCTIVITY OF REPRESENTATIVES

Management believes that improving the overall quality of our independent representatives is a key to achieving growth in revenues and earnings. We believe that upgrading the business practices of our representatives not only grows revenue, but assists in limiting the cost of overhead functions and representative noncompliance. We strive to continually improve the overall quality of our force of representatives by:

- assisting representatives to improve their skills and practices,
- recruiting established, high quality representatives, and
- terminating low quality representatives.

A key metric that we use to assess the average quality of our producing (non-staff) representatives is per capita rep-generated revenue based on a rolling 12-month period. Data for the 12-month periods ended June 30, 2010 and 2009 are presented below:

	Twelve months ended		Increa
	June 30, 2010	June 30, 2009	decre
Rep-generated revenue:			
Commission	$ 66,279,320	$ 64,657,965	$
Advisory	12,781,435	10,508,019	
Other fee income	1,062,224	808,907	
	$ 80,122,979	$ 75,974,891	$
Number of representatives	574	637	
Average revenue per representative	$ 139,587	$ 119,270	$

We believe that the 17.0% growth in per capita rep-generated revenue is the result of organic revenue growth and market appreciation, coupled with paring down the number of lower-producing registered representatives.

COMPARISON OF THE THREE MONTHS ENDED JUNE 30, 2010 AND 2009

The Company reported a $0.04 million operating loss and a $0.00 per share net loss in the current period versus $0.29 million operating income from operations or $0.01 per basic and diluted net income per share in the prior period.

REVENUE

Revenues increased by $2.3 million, or 12.5%, primarily from commissionable revenues which increased by $1.28 million, or 8.2%, reflecting a continuation of improved investor confidence with the market since the low point of the recent recession.

Commission revenue growth was led by direct business, particularly mutual funds sales, and a positive turnaround in brokerage activity.

Advisory services revenue increased by $1.0 million or 40.4% for quarter ended June 30, 2010 to $3.4 million, as compared to $2.4 million for the quarter ended June 30, 2009, largely due to market-related growth in asset values, as well as new investment contributions. Our advisor-directed managed assets program, A-MAP, where investment advisory services are provided directly by our independent representatives, continues to contribute the majority of advisory services revenue. Revenue from this program increased by $0.47 million or 35.1% due to an increase in assets under management which, in turn, reflected market-wide increases in asset values.

Other fee income, primarily comprised of licensing, financial planning and representatives errors and omissions policy fees, increased modestly to $0.19 million as compared to the prior period of $0.14 million.

Other revenue of $0.34 million, consisting of net marketing revenues and interest income, remained consistent period to period.

EXPENSES

Our total expenses for the three months ended June 30, 2010 increased by $2.65 million, or 14.5%, primarily as a result of an increase in commissions and advisors fees of $2.15 million, or 14.9%, an increase in compensation of $0.34 million, or 20.2%, and an increase in regulatory, legal and professional fees of $0.19 million, or 30.7%, partially offset by a decrease in brokerage and clearing fees of $0.19 million, or 30.7%, and a decrease in other administrative costs by $0.11 million, or 37.5%.

Commissions and advisory fees paid to our representatives represent a percentage of revenue generated by them; accordingly, much of the increase in commissions and advisor fees reflects a corresponding increase in commission and advisory fee revenue. Part of the increase in these expenses also reflects the above-described increase in revenue generated per representative since, in general, the percentage of such revenue paid to a representative is directly related to overall individual productivity.

A $0.34 million increase, or 20.2%, in compensation and benefits is attributed largely to reinstatement of salaries to levels prior to the implementation of cost controls initiated in January 2009, as well as an increase in headcount in our technology and compliance departments.

Regulatory, legal and professional expenses increased by $0.19 million, or 30.7%, to $0.80 million. The increase was led by legal fees and estimated settlement accruals related to a rise in litigation and claims, some of which are appear to be a part of the continuing aftermath of investor losses incurred in real estate and other alternative investments.

Brokerage, clearing and exchange fees for the current quarter were down 12.9%, or $0.09 million, primarily due to decreased transaction costs incurred in one of our advisory programs.

Other administrative expenses, which include various insurance, postage, employee training and education and other miscellaneous office expenses, decreased by $0.11 million or 37.5%, primarily due to continued results of cost control initiatives.

We have an income tax benefit of $0.03 million for the three months ended March 31, 2010 as compared to $0.24 million income tax provision for the prior period. The statutory income tax rates for the 2010 and 2009 periods do not bear a customary relationship to effective tax rates primarily as a result of permanent differences for each of the periods presented.

LIQUIDITY AND CAPITAL RESOURCES

Our primary source of liquidity remains cash flows from operations, primarily from our broker-dealer and investment advisory business. The total assets or the individual components of total assets may vary significantly from period to period because of changes relating to economic and market conditions.

As of June 30, 2010, cash and cash equivalents totaled $5.73 million as compared to $5.81 million as of March 31, 2010. Working capital as of June 30, 2010 was $6.85 million as compared to $6.66 million as of March 31, 2010. The ratio of current assets to current liabilities was 2.05 to 1 as of June 30, 2010 as compared to 1.84 to 1 as of March 31, 2010.

Operations provided $0.30 million in cash for the quarter ended June 30, 2010, as compared to $0.38 million of operating cash used in the prior period, principally due to payment of accrued legal and settlement costs for the quarter ended June 30, 2009.

Net cash flows from investing activities for the quarter ended June 30, 2010 represent collections in principal payments on a note receivable offset by capital expenditures.

Cash flows for financing activities in the current period were similar to the prior period as we paid $0.39 million and $0.42 million in loan payments to finance E&O insurance premiums, respectively, for the periods ended June 30, 2010 and 2009.

REGULATORY NET CAPITAL

Cash disbursements can have a material impact on our brokerage firm s regulatory net capital. The SEC Uniform Net Capital Rule (Rule 15c3-1) requires that ICC, our broker-dealer subsidiary, maintain net capital of $100,000 and a ratio of aggregate indebtedness to net capital (a net capital ratio) not to exceed 15 to 1. Under the rule, indebtedness generally includes all money owed by ICC, and net capital includes ICC cash and assets that are easily converted into cash. SEC rules also prohibit "equity capital" (which, under the net capital rule, includes subordinated loans) from being withdrawn, cash dividends from being paid and other specified actions of similar effect from being taken, if, among other specified contingencies, ICC s net capital ratio would exceed 10 to 1 or if ICC would have less than 120% of its minimum required net capital.

As of June 30, 2010, ICC had net capital of $3.27 million (i.e., an excess of $2.87 million) and a 1.82 to 1 net capital ratio as compared to net capital of approximately $3.39 million (i.e., an excess of $2.91 million) and a 2.13 to 1 net capital ratio as of March 31, 2010.

The increase in net capital was the primary result of the reduction in aggregate indebtedness at March 31, 2010 related to accrued bonuses. The Company s net capital mostly depends on cash flow generated from income from operations where the Company reported a slight operating loss in the current period versus a modest operating income in the prior period.

COMMITMENTS AND CONTINGENCIES

We are obligated under various lease agreements covering offices and equipment. These agreements are considered to be operating leases. The terms of the leases expire between fiscal year 2010 and 2016. Options to renew for additional terms are included under the lease agreements. Certain leases contain provisions for escalation of minimum lease payments contingent upon increases in real estate taxes.

The total minimum rental due in future periods under these existing agreements is as follows as of June 30, 2010:

2011	$ 295,701
2012	381,350
2013	283,922
2014	276,354
2015	282,214
2016 and thereafter	24,000
	$ 1,543,542

Total lease expense approximated $0.08 and $0.09 million for each of the three months ended June 30, 2010 and 2009, respectively.

ITEM 4. CONTROLS AND PROCEDURES

Report of Management on Internal Control Over Financial Reporting

Disclosure controls are procedures designed to ensure that information required to be disclosed in the Company's reports filed under the Exchange Act, such as this report, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed to ensure that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives, as the Company's are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of June 30, 2010, we carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based upon that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures are effective in enabling us to record, process, summarize and report information required to be included in our periodic SEC filings within the required time period, and to ensure that information required to be disclosed in such reports that we file or submit under the Securities Exchange Act of 1934 is accumulated an communicated to our management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions required regarding required disclosure.

There have been no changes in our internal controls over financial reporting that occurred during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company operates in a highly litigious and regulated business, and the Company often is made a defendant in arbitrations and other legal proceedings that are incidental to our securities business. The Company typically vigorously contests the allegations of the complaints and believes that there are meritorious defenses in these matters. From time to time the Company also is the subject of regulatory investigations and proceedings. Counsel often is unable to confidently predict the likelihood of an outcome, whether favorable or unfavorable, in such matters because of routine and inherent uncertainties. For the majority of pending claims, the Company's current errors and omissions (E&O) policy limits the Company s maximum exposure in any one case to $100,000. The Company also maintains a fidelity bond to protect itself from potential damages and/or legal costs related to fraudulent activities pursuant to which the Company s exposure is usually limited to $350,000, subject to policy limitations and exclusions.

ITEMS 2 5.

None.

Investors Capital Holdings, Ltd. report on form 10-Q
Quarter Ended June 30, 2010

ITEM 6. EXHIBITS

Exhibit Number	Description	Location
3.1	Certificate of Incorporation	(2)(Exh. 3.1)
3.2	By-Laws	(2)(Exh. 3.2)
4.1	Form of Stock Certificate	(2)(Exh. 4.1)
10.1	Employment Agreement with Theodore E. Charles (3)	(9)(Exh. 10.2)
10.2	Employment Agreement with Timothy B. Murphy (3)	(9)(Exh. 10.1)

10.3	The 1994 Stock Option Plan (3)	(4)(Exh. 10.3)
10.4	The 1996 Stock Incentive Plan (3)	(2)(Exh. 10.3)
10.5	The 2001 Equity Incentive Plan (3)	(5)(Exh. 4.4)
10.6	The 2005 Equity Incentive Plan (3)	(6)(Exh. 4.5)
10.7	Form of June 2006 Stock Grant Agreement (3)	(7)(Exh. 10.8)
10.8	Form of February 2009 Stock Grant Agreement (3)	(7)(Exh. 10.9)
10.9	Consulting Agreement with Theodore E. Charles (3)	(9)(Exh. 10.3)
14.1	Code of Business Conduct and Ethics	(8)(Exh. 5.05)
31.1	Certification of Timothy B. Murphy pursuant to Rule 13a-14(a)	(1)
31.2	Certification of Kathleen L. Donnelly pursuant to Rule 13a-14(a)	(1)
32.1	Certification of Timothy B. Murphy pursuant to 18 U.S.C. Section 1350	(1)
32.2	Certification of Kathleen L. Donnelly pursuant to 18 U.S.C. Section 1350	(1)

(1) Filed herewith.

(2) Incorporated by reference to the indicated exhibit to the Registrant's Quarterly Report on Form 10-Q filed November 14, 2007.

(3) A management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 15(b) of this report.

(4) Incorporated by reference to the indicated exhibit to the Registrant s Annual Report on Form 10-K filed June 30, 2005.

(5) Incorporated by reference to the indicated exhibit to the Registrant s Registration Statement on Form S-8 (File No. 333-117807) filed July 30, 2004.

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(6) Incorporated by reference to the indicated exhibit to the Registrant s Registration Statement on Form S-8 (File No. 333-134885) filed June 9, 2006.

(7) Incorporated by reference to the indicated exhibit to the Registrant s Annual Report on Form 10-K filed June 28, 2010.

(8) Incorporated by reference to the indicated exhibit to the Registrant s Report on Form 8-K filed September 26, 2009.

(9) Incorporated by reference to the indicated exhibit to the Registrant s Report on Form 8-K filed April 21, 2010.

Any exhibit not included with this Form 10-Q when furnished to any shareholder of record will be furnished to such shareholder upon written request and payment of up to $.25 per page plus postage. Such requests should be directed to Investors Capital Holdings, Ltd., 230 Broadway East, Lynnfield, MA 01940-2320.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INVESTORS CAPITAL HOLDINGS, LTD.

By: */s/ Kathleen L. Donnelly*

Chief Accounting Officer
(Duly authorized officer)

Date: August 12, 2010

Exhibit 31.1

CERTIFICATION

I, Timothy B. Murphy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Investors Capital Holdings, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the smaller reporting company as of, and for, the periods presented in said report;

4. The smaller reporting company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the smaller reporting company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating the smaller reporting company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

   c) Evaluated the effectiveness of the smaller reporting company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the smaller reporting company's internal control over financial reporting that occurred during the smaller reporting company's most recent fiscal quarter (the smaller reporting company's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the smaller reporting company's internal control over financial reporting; and

5. The smaller reporting company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the smaller reporting company's auditors and the audit committee of the smaller reporting company's board of directors (or persons performing the

equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the smaller reporting company's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the smaller reporting company's internal control over financial reporting.

Date: August 12, 2010

By: /s/ Timothy B. Murphy

Timothy B. Murphy, President,
Chief Executive Officer and Director
(Principal executive officer)

Investors Capital Holdings, Ltd. report on form 10-Q
Quarter Ended June 30, 2010

Exhibit 31.2

CERTIFICATION

I, Kathleen L. Donnelly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Investors Capital Holdings, Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the smaller reporting company as of, and for, the periods presented in said report;

4. The smaller reporting company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the smaller reporting company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating the smaller reporting company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

c) Evaluated the effectiveness of the smaller reporting company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the smaller reporting company's internal control over financial reporting that occurred during the smaller reporting company's most recent fiscal quarter (the smaller reporting company's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the smaller reporting company's internal control over financial reporting; and

5. The smaller reporting company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the smaller reporting company's auditors and the audit committee of the smaller reporting company's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the smaller reporting company's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the smaller reporting company's internal control over financial reporting.

Date: August 12, 2010

By: /s/ Kathleen L. Donnelly

Kathleen L. Donnelly
Chief Financial Officer
(Principal financial officer)

Investors Capital Holdings, Ltd. report on form 10-Q
Quarter Ended June 30, 2010

Exhibit 32.1

CERTIFICATION

I, Timothy B. Murphy, certify that this report on Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Investors Capital Holdings, Ltd.

Date: August 12, 2010

By: /s/ Timothy B. Murphy

Timothy B. Murphy, President,
Chief Executive Officer and Director
(Principal executive officer)

Investors Capital Holdings, Ltd. report on form 10-Q
Quarter Ended June 30, 2010

Exhibit 32.2

CERTIFICATION

I, Kathleen L. Donnelly, certify that this report on Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Investors Capital Holdings, Ltd.

Date: August 12, 2010

By: /s/ Kathleen L. Donnelly

Kathleen L. Donnelly
Chief Financial Officer
(Principal financial officer)