

COMMONWEALTH OF KENTUCKY
PUBLIC PROTECTION CABINET
DEPARTMENT OF FINANCIAL INSTITUTIONS
ADMINISTRATIVE AGENCY ACTION NO. 2017-AH-00052

DEPARTMENT OF FINANCIAL INSTITUTIONS

COMPLAINANT

vs.

MICHAEL C. FAUREST

RESPONDENT

NOTICE OF RESOLUTION
AND AMENDED ORDER ACCEPTING WITHDRAWAL OF APPLICATION FOR
INVESTMENT ADVISER REPRESENTATIVE REGISTRATION

The Department of Financial Institutions (“DFI”) through its Division of Securities (the “Division”) is responsible for administering the provisions of Kentucky Revised Statutes (“KRS”) Chapter 292, the Securities Act of Kentucky (the “Act”), as well as any applicable rules, regulations and Orders entered pursuant to the Act. Pursuant to the Act, the Department of Financial Institutions (“DFI”) enters this Notice of Resolution and Amended Order accepting the withdrawal of the application of Michael C. Faurest (“Faurest”) for registration as an Investment Adviser Representative.

FACTS

1. Faurest (CRD# 5807922) was registered with DFI as a Registered Representative and an Investment Adviser Representative (“IAR”) of M Holdings Securities, Inc. (“Firm”) with CRD #43285, from January 2, 2014 until he voluntarily terminated his registrations on March 29, 2017.

2. During the February 1-2, 2017 examination of the Firm’s branch office (CRD #552756) in Louisville, Kentucky, DFI examiners discovered compliance issues with Faurest’s records and IAR activities while employed by the Firm.

3. On April 11, 2017, the DFI Division of Securities received an application (the “Application”) from Kovack Advisors, Inc. (“Kovack”) (CRD# 140808) to register Faurest as an IAR.

4. On April 26, 2017, the Firm filed a form U5 reflecting in section 7B that, at the time Faurest terminated his IAR registration with DFI, he had been under internal review for alleged violations of investment-related statutes, regulations, rules or industry standards of conduct.

5. After considering the facts, circumstances and allegations related to Faurest’s previous registration as an IAR, DFI filed an interim Order on June 27, 2017 indicating an intent to deny the application for registration of Faurest as an IAR with Kovack.

6. On July 14, 2017, Faurest filed a Notice of Appeal with DFI invoking his right to a hearing under KRS 13B.070.

7. In addition, on July 14, 2017, Kovack submitted a request to withdraw the application for registration on behalf of Faurest.

8. Thereafter, DFI accepted the withdrawal of Faurest’s application for registration as an IAR, thereby rendering the intent to deny Order moot. Consequently, the Appeal hearing is unnecessary and the parties agree this action resolves the matter at hand.

AUTHORITY AND CONCLUSIONS

9. KRS Chapter 13B.070(3) encourages informal settlement of matters that may eliminate the need for more elaborate proceedings under this chapter.

10. An interim Order of an intent to deny the registration was entered by the Commissioner, pursuant to KRS 292.337(5), providing for notice of denial of Investment Advisor

Representative registration, written findings of fact, conclusions of law and opportunity for a hearing.

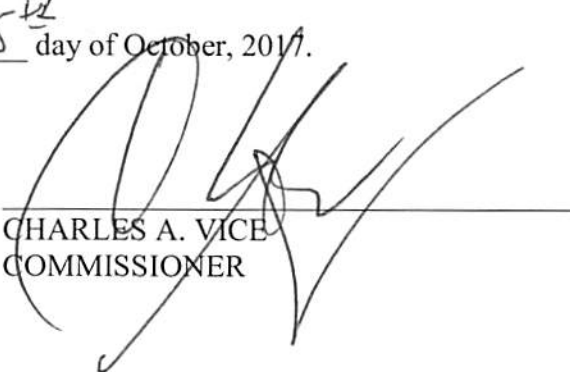
11. While KRS 292 does not explicitly allow for a Commissioner to revoke or rescind an Order, there is no legal prohibition to the Commissioner amending a previous Order in which DFI has jurisdiction.

12. Because the DFI Commissioner has not entered a Final Order denying Faurest's Investment Advisor Representative registration, DFI has not lost jurisdiction over this matter for the purpose of amending the interim Order.

ORDER

THEREFORE, based upon the foregoing Facts, Authority and Conclusions, the Commissioner hereby amends the **ORDER** stating the application of Michael C. Faurest's for registration as an Investment Adviser Representative of Kovack Advisors, Inc., has been withdrawn.

IT IS SO ORDERED on this the 25th day of October, 2017.



CHARLES A. VICE
COMMISSIONER

Certificate of Service


I hereby certify that a copy of the foregoing was sent by certified mail return receipt requested on this the 30 day of October, 2017, to the following:

Michael Faurest
427 Pennington Lane
Louisville, KY 40207

David L. Reichert
Valenti Hanley PLLC
One Riverfront Plaza
401 West Main Street, Suite 1950
Louisville, Kentucky 40202
Phone: (502) 568-2100
Fax: (502) 568-2101
Email: dreichert@vhrlaw.com

Hand delivered to:

Catherine Falconer
Staff Attorney
Department of Financial Institutions
1025 Capitol Center Blvd., Suite 200
Frankfort, KY 40601
Catherine.Falconer@ky.gov


Name: Allison Evans
Title: Executive Staff Advisor