

STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
DIVISION OF FINANCE AND CORPORATE SECURITIES
ENFORCEMENT SECTION
BEFORE THE DIRECTOR OF THE
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

<p>5 In the Matter of:</p> <p>6 JOHN M. MENDOLA,</p> <p>7 Applicant.</p> <hr style="width: 80%; margin-left: 0;"/>	<p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p> <p>)</p>	<p>S-09-0067-2</p> <p>ORDER GRANTING CONDITIONAL SECURITIES SALESPERSON AND INVESTMENT ADVISER REPRESENTATIVE LICENSES</p>
---	--	--

10 **WHEREAS**, John M. Mendola (“Mendola”) became affiliated with Kovack Securities,
11 Inc. (“the Broker-Dealer”) as a securities salesperson on or about August 31, 2007.

12 **WHEREAS**, Mendola became affiliated with Kovack Advisors, Inc. (“the Investment
13 Adviser”) as an investment adviser representative on or about August 31, 2007.

14 **WHEREAS**, the Central Registration Depository (“CRD”) number for Mendola is
15 #2891416, the CRD number for the Broker-Dealer is #44848, and the Investment Adviser
16 Registration Depository number for the Investment Adviser is #140808.

17 **WHEREAS**, on or about January 15, 2010, the Broker-Dealer filed on behalf of Mendola
18 an application for a securities salesperson license with the Oregon Division of Finance and
19 Corporate Securities (“DFCS”), through the CRD.

20 **WHEREAS**, on or about January 15, 2010, the Investment Adviser filed on behalf of
21 Mendola an application for an investment adviser representative license with the Oregon
22 Division of Finance and Corporate Securities (“DFCS”), through the IARD.

23 **WHEREAS**, the Oregon Securities Law, at ORS 59.205(13) and OAR 441-205-0210,
24 requires broker-dealers and investment advisers to exercise diligent supervision over the
25 securities activities of all of their associated persons.

Division of Finance and Corporate Securities
 Labor and Industries Building
 350 Winter Street NE, Suite 410
 Salem, OR 97301-3881
 Telephone: (503) 378-4387



EXHIBIT A
AGREEMENT FOR CONDITIONAL SECURITIES SALESPERSON
AND INVESTMENT ADVISER REPRESENTATIVE LICENSES
IN OREGON REQUIRING HEIGHTENED SUPERVISION

The parties to this heightened supervision agreement (“agreement”) are the Director of the Oregon Department of Consumer and Business Services (“DFCS”), John M. Mendola (“Mendola”), James E. Yates (“Supervisor”), Kovack Securities, Inc. (“Broker-Dealer”), and Kovack Advisors, Inc. (“Investment Adviser”). The Supervisor, Broker-Dealer and Investment Adviser are located in Fort Lauderdale, Florida. The Broker-Dealer, Investment Adviser, and Supervisor each have a duty to supervise Mendola’s business activities and share responsibility for compliance with this agreement.

The Central Registration Depository (“CRD”) number for Mendola is #2891416; the CRD number for the Supervisor is #1341488; the CRD number for the Broker-Dealer is #44848; and the Investment Adviser Registration Depository (“IARD”) number for the Investment Adviser is #140808.

This agreement includes the following conditions and restrictions:

1. Term of Agreement: This agreement expires December 31, 2010.
2. Branch Location and Supervisor: Mendola will work at the Broker-Dealer’s branch office located at 205 SE Spokane St., Suite 300, Portland, OR 97202 (“Mendola’s office”). The Supervisor will directly supervise Mendola.
3. New Accounts: The Supervisor or Broker/Dealer Compliance Department will review and pre-approve each securities account, prior to the opening of the account by Mendola. Documentation sufficient to evidence the date approved and to evidence the person who approved each new account opened by Mendola will be retained at the Home Office in Ft. Lauderdale, FL.
4. Correspondence: The Supervisor or Broker/Dealer Compliance Department will

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387





1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

review Mendola's incoming and outgoing e-mail correspondence on a weekly basis.

Verification will be shown by electronic format and retained at the Broker/Dealer Office.

5. Trades: Mendola will not exercise any discretionary authority over client accounts or trades. All trades must be reviewed and approved by the Supervisor or Broker/Dealer Compliance Department prior to settlement. The review must verify the suitability of the transaction for the client based on the stated objectives and risk tolerance of the client as noted in the account documentation. Evidence of review and approval is required. If the Supervisor determines that a transaction is unsuitable for a client, the Supervisor will contact the client to discuss the trade, and, if the client so desires, the Broker-Dealer will reverse the transaction at no cost to the client prior to settlement. In the event the Supervisor is unable to reach the client to discuss the trade prior to settlement, the Supervisor will reach that client as soon thereafter as reasonably possible to discuss the trade, and, if the client so desires, the Broker-Dealer will reverse the transaction at no cost to the client.

6. Monthly Account Review: The Supervisor will review Mendola's client accounts monthly for unusual trades or unauthorized or unsuitable transactions. The Supervisor will store electronically the records of the monthly account reviews and will maintain those records for examination by DFCS and other regulatory authorities. Should a transaction be found to be unsuitable for that client, the Broker-Dealer will reverse the transaction at no cost to the client.

7. Client Follow-Up: Each calendar quarter, beginning March 31, 2010, the Supervisor or Broker/Dealer Compliance Department will contact via telephone no fewer than three (3) clients with whom Mendola has transacted securities business during the calendar quarter immediately prior to the client follow-up, to verify that Mendola has not conducted discretionary trading without authorization. This verification will be recorded in a format that can easily be accessed and reviewed by compliance and regulatory examiners.

8. Complaints: All complaints, whether verbal or written, pertaining to Mendola's

1 business activities, will be immediately referred to the Supervisor for review, and then to the
2 Broker-Dealer and Investment Adviser's compliance departments. The Supervisor will prepare a
3 written report as to what measures were taken to investigate the merits of the complaint
4 including contact with the client. Resolution of the matter will be documented and all the
5 information will be retained in a separate file.

6
7 9. Advertising: All advertising and sales literature used by Mendola must be
8 reviewed and pre-approved by the Supervisor or Broker/Dealer Compliance Department in
9 addition to the approval process as outlined in the Broker-Dealer and Investment Adviser's
10 Written Supervisory Procedures.

11 10. Other Prohibited Business Activities: Mendola is prohibited from the following:

12 (A) acting in any principal, supervisory or managerial capacity in
13 connection with his employment with the Broker -Dealer or Investment Adviser;

14 (B) recruiting, training or advising registered representatives or investment
15 adviser representatives or persons seeking to become registered representatives or
16 investment adviser representatives, in sales techniques or practices to be used in
17 connection with the offer or sale of securities or the rendering of investment
18 advice. This restriction extends to any entity that provides such services with
19 which Mendola may be associated;

20 (C) having any legal or beneficial ownership interest or exercise any direct
21 or indirect involvement in the direction or control of any broker-dealer or
22 investment adviser or branch office; and

23 (D) engaging in any prohibited business practice that violates any FINRA,
24 SEC, or State rules or regulations, including but not limited to the Oregon
25 Securities Law, ORS Chapter 59 and OAR Chapter 441.

11. Monthly Reporting Requirements: On a monthly basis, the Broker-Dealer and





1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Investment Adviser will submit a joint report via e-mail to the Oregon Department of Consumer and Business Services, DFCS, Attn: Terri Gorecki. The report will include a copy of any written complaint pertaining to Mendola, if any, received during the previous month. In the case of any oral complaint pertaining to Mendola received during the previous month, the report will include a complete summary of the oral complaint, if any, concerning Mendola, including the client name, product type involved in the complaint, amount of damages claimed, date of original transaction, and date of complaint. In the case of any such written or verbal complaint(s) pertaining to Mendola, received during the previous month, the report will include the results of the complaint, if any. Each report will be due no later than the 10th day of each month, beginning the first month after the date of this agreement. If no written or oral complaint pertaining to Mendola was received during the previous month, the Broker-Dealer and Investment Adviser will affirmatively state that in their joint report.

12. Interim Supervisor: If the Supervisor will be on vacation or out of the office for an extended period (five or more consecutive business days), the Supervisor will notify Terri Gorecki as to the name and CRD number of Mendola's interim supervisor.

13. Change in Employment Status or Location: The Supervisor must notify Terri Gorecki of any change to Mendola's employment status or location, within 10 business days of the change in employment status or location.

14. Required on-site examinations of Mendola's office: During the term of this agreement, the Supervisor or Broker/Dealer Compliance Department or designee will conduct no less than three on-site branch office examinations of Mendola's office, with no less than 60 days between each of the required examinations. At least one examination must be unannounced. The Supervisor or Broker-Dealer Compliance Department must provide a complete copy of the results of each examination to Terri Gorecki no more than 14 calendar days after the date of each examination. The last examination must occur no later than December 10, 2010.



1 15. Quarterly Reports: Each calendar quarter, the Supervisor or Broker/Dealer
2 Compliance Department via e-mail must certify to Terri Gorecki that the Broker-Dealer,
3 Investment Adviser, Supervisor, and Mendola are in compliance with all of the conditions and
4 restrictions of this agreement. Each report will be due no later than 10 days following the end of
5 each calendar quarter, beginning March 31, 2010, including June 30, September 30, and
6 December 31.

7 16. Cooperation with DFCS Investigation: Without waiving their attorney-client
8 privilege, the Broker-Dealer, Investment Adviser, Supervisor, and Mendola will cooperate with
9 any examination or investigation conducted by DFCS by providing any documents in their
10 possession, or that they have access to, as well as other documents that may be requested, and
11 Mendola will participate in any interview requested by DFCS.

12 17. Additional Reporting Requirements: Within ten (10) business days of receipt, the
13 Broker-Dealer and Investment Adviser will provide to DFCS a copy of all of the following:

14 (A) any criminal complaint or conviction, fine, penalty, civil injunction, or
15 civil judgment, court or administrative order or finding, or arbitration award
16 relating to any securities transaction concerning Mendola; and

17 (B) any inquiry or proceeding by any governmental, regulatory or self-
18 regulatory organization, concerning Mendola's securities activities.

19 18. Records of Heightened Supervision: The Broker/Dealer Compliance Department
20 will keep a record of all heightened supervision procedures performed under this agreement and
21 a copy of this record will be maintained in accordance with ORS 59.195 and OAR 441-195-0010
22 through OAR 441-195-0030 in the branch. These records will be made available upon request of
23 DFCS.

24 19. Breach of Agreement: In the event, after opportunity for hearing, the Director
25 determines that the Broker-Dealer, Investment Adviser, Supervisor and/or Mendola willfully or

1 repeatedly violated one or more of the conditions or restrictions of this agreement, such
2 violation of one or more of the conditions or restrictions in this agreement will constitute a
3 failure to comply with a condition or restriction imposed on a license and order of the director,
4 for the purposes of ORS 59.205(3).

5
6 20. Consequences of Breach of Agreement: In the event the Broker-Dealer,
7 Investment Adviser, Supervisor and/or Mendola violates any term of this agreement, DFCS may
8 institute an action against the Broker-Dealer, Investment Adviser, Supervisor and/or Mendola.
9 Nothing in this paragraph prevents DFCS from exercising any enforcement remedy available to
10 DFCS resulting from any violation of one or more of the conditions or restrictions in this
11 agreement, or resulting from any other violation of the Oregon Securities Law, ORS Chapter 59,
12 and OAR Chapter 441.

13 Dated this 16th day of January, 2010 at Salem, Oregon.

14
15 **CORY STREISINGER, DIRECTOR**
16 **DEPARTMENT OF CONSUMER & BUSINESS SERVICES**

17 */s/ David Tatman*

18 **DAVID C. TATMAN, ADMINISTRATOR**
19 **DIVISION OF FINANCE AND CORPORATE SECURITIES**

20
21
22
23
24
25
Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 Approved as to form:

2

3 /s/ Jacob S Gill

4 **Jacob S. Gill, Esq.**

5 Counsel for Respondent

6 Stoll, Stoll, Berne, Lokting & Shlachter PC

7 209 Southwest Oak Street

8 Portland OR 97204

9 (503) 227-1600

10

11 /s/ John M. Mendola

12 1/15/2010

13 **John M. Mendola**

14 Date

15

16 SUBSCRIBED AND SWORN TO BEFORE ME THIS 15th DAY OF Jan., 2010.

17

18 /s/Kim S. Hellman

19 Signature of Notary Public

20

21 Kim S. Hellman

22 Printed Name of Notary Public

23

24 Notary Public for the State of: Oregon

25

26 My commission expires: 6-11-2012

27

28

29

30

31

32

33

34

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

/s/ James Yates
James E. Yates, Compliance Officer

James Yates
(Print Name)

SUBSCRIBED AND SWORN TO BEFORE ME THIS 15th DAY OF Jan, 2010.

/s/ Melissa Taylor
Signature of Notary Public

Melissa Taylor
Printed Name of Notary Public

Notary Public for the State of: Florida

My commission expires: 6/28/2013

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387



1 On behalf of Kovack Securities, Inc.:

3 By: s/ Melinda Wolfe
4 **Melinda Wolfe**, Chief Compliance Officer

5 Melinda Wolfe
6 (Print Name)

7 SUBSCRIBED AND SWORN TO BEFORE ME THIS 15th DAY OF Jan, 2010.

8
9 /s/ Melissa Taylor
10 Signature of Notary Public

11 Melissa Taylor
12 Printed Name of Notary Public

13 Notary Public for the State of: Florida

14 My commission expires: 6/28/2013

15 On behalf of Kovack Advisors, Inc.:

16 By: /s/ Melinda Wolfe
17 **Melinda Wolfe**, Chief Compliance Officer

18 Melinda Wolfe
19 (Print Name)

20 SUBSCRIBED AND SWORN TO BEFORE ME THIS 15th DAY OF Jan, 2010.

21 /s/ Melissa Taylor
22 Signature of Notary Public

23 Melissa Taylor
24 Printed Name of Notary Public

25 Notary Public for the State of: Florida

My commission expires: 6-28-2013

Division of Finance and Corporate Securities
Labor and Industries Building
350 Winter Street NE, Suite 410
Salem, OR 97301-3881
Telephone: (503) 378-4387

