

STATE OF MAINE
OFFICE OF SECURITIES
121 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0121

IN THE MATTER OF:)
)
)
Kovack Securities, Inc.)
)
_____)

CONSENT AGREEMENT
No. 06-014-CAG

This Agreement is entered into between the State of Maine Office of Securities (“the Office”) and Kovack Securities, Inc. (“KSI”), CRD #44848, a broker-dealer with its principal place of business in Ft. Lauderdale, Florida.

WHEREAS, the parties agree as follows:

1. At all times relevant to this matter, it has been unlawful in Maine for a person to act as a broker-dealer unless licensed or exempt from licensing pursuant to sections 10301 and 10302 of the Revised Maine Securities Act (“the Act”).
2. At all times relevant to this matter, KSI was not licensed as a broker-dealer in Maine.
3. KSI filed an application with the Office for licensing as a broker-dealer on January 6, 2003.
4. By letter dated January 28, 2003, the Office requested additional information regarding the firm’s pending application, including information related to any securities business that the firm had conducted in Maine during the previous six years.
5. On February 3, 2003, the Office received a sworn affidavit from KSI affirming that neither the firm nor its principals, agents or employees had solicited or effected securities transactions in Maine on behalf of KSI at any time within six years before the date of the affidavit. The affidavit further indicated that no person, acting on behalf of the firm, would make any offers or sales of securities in Maine until such time that the firm’s license was effective under Section 10301 of the Revised Maine Securities Act (“the Act”).
6. Between February 3, 2003, and October 17, 2005, there was continuing correspondence between the Office and KSI regarding the firm’s pending broker-dealer application.

7. On October 26, 2004, the Office received a second sworn affidavit from KSI. The second sworn affidavit contained the same affirmations as the sworn affidavit received on February 3, 2003.
8. In response to an inquiry from the Office and by letter dated September 8, 2005, KSI's clearing firm, National Financial Services LLC, provided documentation to the Office that revealed that KSI had effected at least six (6) transactions between July 6, 2004, and July 26, 2005, for the account of one (1) Maine consumer while unlicensed. At least one transaction occurred after the submission of KSI's first sworn affidavit and the remaining transactions occurred after the submission of the second sworn affidavit. The Office did not find evidence of unlicensed activity prior to the submission of KSI's licensing application nor for the first twenty-one (21) months after the submission of the firm's application.
9. It is the Office's position that KSI has acted as a broker-dealer in Maine without being licensed as a broker-dealer in Maine or exempt from such licensing. As a result of KSI's unlicensed activity, which was caused by KSI not following its own procedures that would have prevented the unlicensed activity, the Office has continuing concerns with KSI's written supervisory and compliance policies and procedures.
10. KSI has represented to the Office that it was not its intention to violate the Maine Revised Securities Act.
11. Both parties desire an expeditious resolution of this matter.

NOW, THEREFORE, without trial or adjudication of any issue of fact or law, and without KSI admitting or denying that its conduct violated the Revised Maine Securities Act, it is agreed that:

1. KSI will comply with all licensing and other legal requirements governing persons acting as securities broker-dealers in the State of Maine at all times from the date hereof;
2. In lieu of the Office seeking the imposition of a penalty for the allegations contained herein, KSI will pay the sum of \$3,000 to the Office upon KSI's execution of this Agreement;
3. The Office will not take further action against KSI, based solely upon its unlicensed activity during the period preceding and including the date of execution of this Agreement, provided, however, that this paragraph applies only to those transactions previously disclosed to the Office by KSI's clearing firm;

4. The Office will accept KSI's request to withdraw its license application;
5. KSI will not reapply for licensing in Maine as a broker-dealer for at least one year from the date that this agreement is fully executed; and
6. This Consent Agreement constitutes the entire agreement between the Office and KSI. Further, KSI confirms that in entering into this agreement the firm is not relying on any representations, promises, or understandings other than those expressed herein.

December 30, 2005
Date

s/R.J. Kovack
R.J. Kovack, Chairman
KSI

January 3, 2006
Date

s/Michael J. Colleran
Michael J. Colleran
Securities Administrator

Reviewed by:

January 3, 2006
Date

s/Bonnie E. Russell
Bonnie E. Russell
Assistant Securities Administrator

Presented by:

January 3, 2006
Date

s/Cathy J. Williams
Cathy J. Williams
Licensing Coordinator