



STATE OF MISSOURI  
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF: )  
 )  
MICHAEL J. FARINELLA, ) Case No. AP-16-38  
CRD No. 5297170, )  
 )  
Respondent. )

**CONSENT ORDER**

**SUMMARY OF ENFORCEMENT SECTION’S ALLEGATIONS**

1. The Enforcement Section of the Missouri Securities Division of the Office of Secretary of State (“Enforcement Section”), through Enforcement Counsel Christina Peters, has alleged that Michael J. Farinella (“Farinella” or “Respondent”), violated Section 409.4-412, RSMo. (Cum. Supp. 2013)<sup>1</sup> by failing to timely amend Form U4 to disclose liens and judgments.
2. Respondent and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to Respondent’s alleged violations.

**CONSENT TO JURISDICTION**

3. Respondent and the Enforcement Section stipulate and agree that the Missouri Commissioner of Securities (“Commissioner”) has jurisdiction over the Respondent and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, *et seq.*
4. Respondent and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), which provides:

“The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act.”

**WAIVER AND EXCEPTION**

5. Respondent waives Respondent’s right to a hearing with respect to this matter.

---

<sup>1</sup> Unless otherwise noted, all statutory references are to the 2013 cumulative supplement to the Revised Statutes of Missouri.

6. Respondent waives any right that Respondent may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent specifically forever releases and holds harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner, and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondent stipulates and agrees with the Enforcement Section that, should the facts contained herein prove to be false or incomplete in a material way, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

#### CONSENT TO COMMISSIONER'S ORDER

8. Respondent and the Enforcement Section stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondent agrees not to take any action or to make or permit to be made any public statement creating the impression that this Order is without factual basis. Nothing in this paragraph affects Respondent's (a) testimonial obligations; (b) right to take legal or factual positions in connection with litigation, arbitration, or other legal proceeding in which the Commissioner is not a party; or (c) right to make public statements that are factual.
10. Respondent agrees that Respondent is not the prevailing party in this action since the parties have reached a good faith settlement.
11. Respondent neither admits nor denies the allegations made by the Enforcement Section, but consents to the Commissioner's Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

#### COMMISSIONER'S FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

##### I. FINDINGS OF FACT

12. Farinella, Central Registration Depository ("CRD") number 5297170, was a Missouri-registered broker-dealer agent with AllState Financial Services ("AFS"), CRD number 18272.
13. On October 7, 2009, Farinella submitted a Uniform Application for Securities Industry Registration or Transfer ("Form U4") to the CRD seeking to register as a broker-dealer agent in Missouri with AFS.

14. Farinella filed amendments to Form U4 on November 13, 2009, September 27, 2012, and September 4, 2015.
15. Pursuant to 15 CSR 30-51.160(3)(A), “[a] correcting amendment shall be filed with the division at the time of occurrence or discovery of these changes, and not later than thirty (30) days following the specified event occurrence.”
16. A review of Farinella’s record with CRD revealed that Farinella failed to timely report numerous liens on his Form U4 between August 2010 and December 2014:

<b>Filing Date</b>	<b>Action</b>	<b>Creditor</b>	<b>Amount</b>	
12/6/2014	Foreclosure	JPMorgan Chase Bank		
3/28/2014	State Tax Lien	MO DOR	\$2,223.29	
11/25/2013	CH 13 Bankruptcy	NA	NA	Dismissed 1/7/2014
10/4/2012	Fed Tax Lien	IRS	\$5,621.00	
8/22/2012	Fed Tax Lien	IRS	\$23,576.00	
8/8/2011	Fed Tax Lien	IRS	\$10,740.00	Released 6/20/2012
8/26/2010	Civil Judgment	Christian Hospital	\$2,740.18	Released 1/19/2012

17. Disclosure Question 14K on Form U4 asks, “Within the past 10 years: (1) have you made a compromise with creditors, filed a bankruptcy petition, or been the subject of any involuntary bankruptcy petition?”
18. Disclosure Question 14M on Form U4 reads: “Do you have any unsatisfied judgments or liens against you?”
19. On the September 27, 2012 amendment, question 14K (1) is marked “yes” with regards to compromise with creditors, bankruptcy filings. Question 14M is marked “no” with regards to liens and/or judgments. In the disclosure reporting page (“DRP”) the “yes” response to 14K is further explained that on June 29, 2012 Farinella compromised with a creditor, Allied Interstate, where he owed \$1,800 and settled the debt for \$751.51.
20. On or about November 25, 2013 Farinella filed for Chapter 13 Bankruptcy, which was dismissed by debtor Farinella on January 7, 2014 and terminated by U.S. Bankruptcy Court Eastern District of Missouri (St. Louis) on February 10, 2014.
21. The September 4, 2015 amendment mirrors the September 27, 2012 filing verbatim with question 14K (1) marked “yes,” with a similar explanation on the DRP page, and question 14M marked “no.” At this time Farinella had two federal tax liens for \$23,576 and \$5,621 as well a state tax lien for \$2,223.29, and a foreclosure.
22. Farinella failed to update his response in Form U4 within thirty days of receiving notice of the filing of each of the liens and judgments listed in paragraph 16.

23. In April of 2015 AFS received information regarding Farinella's non-disclosure from FINRA pursuant to an outside audit.
24. AFS attempted to assist Farinella in making the proper notifications, asking by email for the necessary documents to make the required disclosures on a U4 Amendment filing and providing instructions on making the disclosures on the FINRA website.
25. Due to Farinella's inaction, AFS took disciplinary action filing a "Corrective Action Notice," and then followed up, pursuant to their employment policies, with an administrative fine levied against Farinella for failing to follow their instructions. Farinella did not pay the administrative fine and never provided the information to AFS or made the required U4 amendment filing.
26. AFS terminated Farinella from the company on April 15, 2016.

## II. CONCLUSIONS OF LAW

27. The Commissioner finds Respondent failed to timely amend Form U4 to disclose several liens and judgments and that this conduct constitutes grounds to discipline Respondent pursuant to Section 409.4-412.
28. The Commissioner, after consideration of the stipulations set forth above and on the consent of Respondent and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondent and this matter and that the following Order is in the public interest, necessary for the protection of public investors and consistent with the purposes intended by Chapter 409.

## III. ORDER

**NOW, THEREFORE,** it is hereby Ordered that:

1. Respondent, his agents, employees and servants, and all other persons participating in the above-described violation with knowledge of this order are permanently enjoined and restrained from violating Section 409.4-412;
2. Respondent is **BARRED** effective immediately from registration as an investment adviser, investment adviser representative, broker-dealer, or agent in the State of Missouri;
3. Respondent is ordered to pay \$1,000 to the Investor Education and Protection Fund. This amount will be paid in 4 equal installments of \$250 with the first payment being due thirty (30) days from the issuance of this order and the remaining 3 payments to be sent every ninety (90) days thereafter. These payments will be sent to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101, and shall be made payable to the Missouri Secretary of State's Investor Education and Protection Fund. The Division will

send the money to the Missouri Secretary of State's Investor Education and Protection Fund; and

4. Respondent shall pay his own costs and attorneys' fees with respect to this matter.

**SO ORDERED:**

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY,  
MISSOURI THIS 21 DAY OF September, 2016.



JASON KANDER  
SECRETARY OF STATE

*Andrew M. Hartnett*

ANDREW M. HARTNETT  
COMMISSIONER OF SECURITIES

Consented to by:

THE ENFORCEMENT SECTION OF THE  
MISSOURI SECURITIES DIVISION

*Christina A. Peters*

Christina A. Peters  
Enforcement Counsel

RESPONDENT

*Michael J. Farinella*  
Michael J. Farinella  
2254 White Ash  
Florissant, Missouri 63031