

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2008012747901**

To: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

Re: Hantz Financial Services Inc.
CRD No. 46047

Bruce Coleman
CRD No. 50684

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Hantz Financial Services Inc. (Hantz Financial) and Bruce Coleman submit this Letter of Acceptance, Waiver and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Hantz Financial and Bruce Coleman alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Hantz Financial and Bruce Coleman accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

Background

Hantz Financial has been a FINRA registered broker-dealer since 1999. The firm conducts a general securities business from its main office located in Southfield, Michigan.

Bruce Coleman entered the securities industry in December 1972 as a registered representative with a FINRA firm. In April 1981, Coleman became registered as a general securities principal with another FINRA firm. In April 2000, he became registered in the same capacities with Hantz Financial. Coleman was registered with Hantz Financial until February 2009. Coleman is presently registered with another FINRA firm.

Relevant Disciplinary History

In July 2005, Hantz Financial was censured and fined \$675,000 in an AWC in which, without admitting or denying the allegations, the firm consented to the entry of findings that it violated Section 17(a) of the Securities Act of 1933 and NASD Conduct Rules 2110, 3010, 2310, 2830 and 2210. Among other things, Hantz Financial failed to establish and maintain adequate procedures and systems to ensure that its revenue sharing activity and related disclosures were in compliance with the federal securities laws and NASD rules.

Bruce Coleman has no prior disciplinary history.

Overview

Between 2004 and 2008, Hantz Financial failed to establish, maintain and enforce a supervisory system that was reasonably designed to ensure that checks mailed to the firm by its customers were properly accounted for, in violation of NASD Conduct Rules 3010 and 2110. Furthermore, Hantz Financial, by and through Bruce Coleman, failed to establish and maintain adequate written supervisory procedures with regard to contacting and communicating with customers following receipt of a customer complaint, in violation of NASD Conduct Rules 3010 and 2110. These deficiencies contributed to the firm's failure to detect a fraudulent scheme perpetrated by one of its representatives.

Facts and Violative Conduct

Background and Underlying Misconduct

Between 2000 and 2008, ML, a registered representative employed by Hantz Financial, embezzled approximately \$2.6 million from 23 customers. ML perpetrated his scheme by having certain customers make checks payable to "HFS," rather than to "Hantz Financial" or "Hantz," and then depositing those checks in bank accounts that ML controlled. At the time, ML had a business checking account with at least one bank under the name "Henry Firearms Services."

Although most of the checks described above were personally delivered to ML, at least thirty checks totaling approximately \$850,000 were mailed to Hantz Financial's Midland, Michigan branch office where ML worked between May 2004 and March 2008. Hantz Financial had a practice of delivering customer checks to the assigned representative when the checks arrived at the branch office. The assigned representative was then required to retrieve the appropriate securities paperwork and submit the paperwork and the check to the branch office administrator to be logged into the firm's tracking system. ML exploited the firm's check handling practices by taking control of at least thirty customer checks and depositing approximately \$850,000 in customer funds into his own

bank accounts without the checks ever being logged in the firm's system.

Hantz Financial's Supervisory Failures

Between 2004 and 2006, the firm failed to establish and maintain an adequate supervisory system and written supervisory procedures (WSPs) to ensure that checks mailed to the firm by its customers were immediately recorded on the firm's books and records. In July 2006, the firm revised its WSPs to require that customer checks received by mail were immediately logged in to the firm's tracking system. However, between July 2006 and 2008, the firm failed to enforce that particular written supervisory procedure. These deficiencies were exploited by ML, and contributed to the firm's failure to detect his scheme between May 2004 and March 2008. The aforementioned conduct by Hantz Financial is in violation of NASD Conduct Rules 3010 and 2110.

Bruce Coleman, as Chief Compliance Officer for Hantz Financial, was responsible for developing and maintaining an adequate supervisory system as well as the firm's WSPs to ensure the firm was in compliance with all applicable securities laws. Hantz Financial, by and through Coleman, failed to establish and maintain adequate WSPs addressing the circumstances under which the firm would contact and communicate with a customer following receipt of a complaint. The firm's lack of adequate WSPs describing circumstances under which complaining customers would be contacted contributed to the firm's failure to discover ML's scheme after a customer sent a written complaint to a variable annuity company, which was subsequently forwarded to the firm, asserting that recent distributions from his variable annuity policies were unauthorized and seeking reinstatement of those funds. Also included in that written complaint was an allegation that the customer had sent the firm "hundreds of thousands of dollars" and was "unable to ascertain what assets were purchased with those dollars." Although the firm's investigation of the complaint included an interview of ML, the customer was never contacted, and ML's illegal activities continued for approximately another ten months. The aforementioned conduct by Hantz Financial, by and through Bruce Coleman, is in violation of NASD Conduct Rules 3010(b) and 2110.

Other Factors

In determining sanctions in this matter, FINRA took into account that, immediately after ML's death on March 9, 2008, Hantz Financial undertook, at its own expense, a forensic audit of ML's transactions, which lead to the identification of numerous customers whose funds had been embezzled. The investigation undertaken by the firm, the results of which were later shared with FINRA, was instrumental in exposing the manner in which the funds were embezzled, and in determining the extent of the customer harm. Thereafter, the firm voluntarily provided more than \$2 million in restitution to customers.

- B. Hantz Financial and Bruce Coleman also consent to the imposition of the following sanctions:
A fine of Hantz Financial in the amount of \$50,000;
A joint and several fine against Coleman and Hantz Financial in the amount of \$10,000; and
A censure of Coleman and Hantz Financial.

Hantz Financial and Bruce Coleman agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Hantz Financial and Bruce Coleman have submitted an Election of Payment form showing the method by which they propose to pay the fine imposed.

Hantz Financial and Bruce Coleman specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Hantz Financial and Bruce Coleman specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against them;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Hantz Financial and Bruce Coleman specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Hantz Financial and Bruce Coleman further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Hantz Financial and Bruce Coleman understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Hantz Financial and Bruce Coleman; and
- C. If accepted:
 - 1. This AWC will become part of Hantz Financial's and Bruce Coleman's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against them;
 - 2. This AWC will be made available through FINRA's public disclosure program in response to public inquiries about Hantz Financial's and Bruce Coleman's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Hantz Financial and Bruce Coleman may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Hantz Financial and Bruce Coleman may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Hantz Financial and Bruce Coleman's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Hantz Financial and Bruce Coleman may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Hantz Financial and Bruce Coleman understand that they may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff

The undersigned certify that they understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that they have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce them to submit it.

11/2/11
Date

Hantz Financial Services

By 

11/2/11
Date

Bruce Coleman



Accepted by FINRA:

11/30/11
Date

Signed on behalf of the Director of ODA,
by delegated authority



Richard A. March

Senior Regional Counsel

Mark Koerner

AVP and Regional Chief Counsel

55 West Monroe, Suite 2700

Chicago, IL 60603

Telephone: (312) 899-4351

Facsimile: (312) 899-4600