

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120316558**

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

RE: Hantz Financial Services, Inc., Respondent
CRD 46047

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent submits 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, 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 Services, Inc. ("HFS" or the "Firm") has been a member of FINRA since 1999 and is headquartered in Southfield, Michigan. The Firm currently employs 276 registered representatives. The Firm conducts a general securities business.

RELEVANT DISCIPLINARY HISTORY

The Firm has no relevant disciplinary history.

OVERVIEW

Between April 2004 until April 2011 (the "relevant period"), HFS violated

NASD Rules 3010 and 2110 and FINRA Rule 2010¹ by failing to properly enforce its written supervisory procedures (“WSPs”) for conducting due diligence with respect to a publicly offered non-exchange traded real estate investment trust (“REIT”) registered with the Securities and Exchange Commission (“SEC”), and by failing to establish and maintain a reasonably designed supervisory system, including written procedures, for conducting ongoing due diligence of REITs.²

FACTS AND VIOLATIVE CONDUCT

1) The Firm Failed to Enforce Written Procedures Regarding Due Diligence of a Non-Traded REIT

During the period from April 2004 through April 2006, the Firm’s WSPs for conducting due diligence on REITs stated that supervising principals were responsible for determining that “[a]ppropriate due diligence with respect to the product has been undertaken.” According to the WSPs, “appropriate due diligence” consisted of a review of the prospectus and its associated materials to determine if they contained “sufficient information to fully evaluate the risk of the product.” The supervising principal was then required to evidence his review by dating and initialing the prospectus.

During the relevant period, the Firm entered into selling agreements to sell shares of a publicly offered, SEC registered REIT (“REIT A”) made available through three offerings that occurred from April 2004 through April 2006, April 2006 through April 2008 and April 2008 through April 2011. The Firm sold shares of REIT A from all three offerings to its customers.

Although the Firm’s WSPs required that a supervisory principal conducting due diligence of a REIT initial and date any prospectus or disclosure documents reviewed during that process, the Firm failed to document such a review of REIT A. The Firm maintained paper and electronic copies of the prospectus and the disclosure documents for REIT A, including annual reports, SEC filed 10Qs, 10Ks, and 8Ks provided by the issuer, but the documents did not bear any supervisory initials or dates to evidence that a supervisor conducted a review of the materials. The Firm was unable to provide any documentary evidence that a supervisory review was conducted of the materials as required by its WSPs.

¹ Effective December 15, 2008, FINRA Rule 2010 superseded NASD Rule 2110. The text of the rule was unchanged. Accordingly, all violative conduct occurring on or after December 15, 2008 is a violation of FINRA Rule 2010.

² A REIT is a corporation, trust or association that owns (and may also manage) income-producing real estate. REITs may pool the capital of numerous investors to purchase a portfolio of properties—from office building and shopping centers to hotels and apartment buildings—which the typical investor might not otherwise be able to purchase individually. Shares of non-traded REITs do not trade on a national securities exchange. Non-traded REITs are generally illiquid, often for periods of eight years or more, because they do not trade on a national securities exchange.

NASD Rule 3010(b) provides that "Each member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and to supervise the activities of registered representatives, registered principals, and other associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with the applicable Rules of NASD." NASD Rule 2110 and its successor rule, FINRA Rule 2010, provide that "[a] member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

The Firm failed to ensure that the supervisor conducting the due diligence review of REIT A initialed and dated the prospectus and disclosure documents for REIT A as required by its WSPs. Thus, the Firm failed to enforce its WSPs for conducting due diligence of a REIT and violated NASD Rules 3010 and 2110.

2) The Firm Failed to Establish and Maintain a Reasonably Designed Supervisory System for Conducting Ongoing Due Diligence of REITs

During the period from 2006 to the present, the Firm failed to establish a reasonably designed supervisory system, including WSPs, to conduct ongoing due diligence of REITs. The Firm's WSPs did not contain procedures for conducting ongoing due diligence of REITs. Moreover, the Firm failed to establish and implement a formal process for conducting ongoing due diligence of REITs. For example, during the relevant period, the supervisory principal responsible for conducting ongoing due diligence utilized an informal system involving ad hoc reviews of the REITs' public filings, internal discussions, and conference calls with REIT sponsors that sometimes included salespeople.

NASD Conduct Rule 3010(a) requires firms to "establish and maintain a system to supervise activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD rules."

By failing to establish and maintain a supervisory system, including written procedures, reasonably designed to ensure that it conducted adequate ongoing due diligence of REITs, the Firm violated NASD Rules 3010(a) and 2110 and FINRA Rule 2010.

B. HFS consents to the imposition of the following sanctions:

☐ A censure and a \$75,000 fine; and

☐ HFS shall:

1. Retain, within 60 days of the date of the Notice of Acceptance of this AWC, an Independent Consultant, not unacceptable to FINRA staff, to conduct a comprehensive review of the adequacy of the Firm's

policies, systems and procedures (written and otherwise) relating to the violations identified above.

2. Exclusively bear all costs, including compensation and expenses, associated with the retention of the Independent Consultant;
3. Cooperate with the Independent Consultant in all respects, including by providing staff support. HFS shall place no restrictions on the Independent Consultant's communications with FINRA staff and, upon request, shall make available to FINRA staff any and all communications between the Independent Consultant and the Firm and documents reviewed by the Independent Consultant in connection with his or her engagement. Once retained, HFS shall not terminate the relationship with the Independent Consultant without FINRA staff's written approval; HFS shall not be in and shall not have an attorney-client relationship with the Independent Consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the Independent Consultant from transmitting any information, reports or documents to FINRA;
4. At the conclusion of the review, which shall be no more than 90 days after the date of the Notice of Acceptance of this AWC, require the Independent Consultant to submit to the Firm and FINRA staff a Written Report. The Written Report shall address, at a minimum, (i) the adequacy of the Firm's policies, systems, procedures, and training in view of the violations identified above, including modifications that were made in 2006 to the present; (ii) a description of the review performed and the conclusions reached, and (iii) the Independent Consultant's recommendations for further modifications and additions to the Firm's policies, systems, procedures and training; and
5. Require the Independent Consultant to enter into a written agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter into any other employment, consultant, attorney-client, auditing or other professional relationship with HFS, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with which the Independent Consultant is affiliated in performing his or her duties pursuant to this AWC shall not, without prior written consent of FINRA staff, enter into any employment, consultant, attorney-client, auditing or other professional relationship with HFS or any of its present or former affiliates, directors, officers, employees, or agents acting in their

capacity as such for the period of the engagement and for a period of two years after the engagement.

6. Within 90 days after delivery of the Written Report, HFS shall adopt and implement the recommendations of the Independent Consultant or, if it determines that a recommendation is unduly burdensome or impractical, propose an alternative procedure to the Independent Consultant designed to achieve the same objective. The Firm shall submit such proposed alternatives in writing simultaneously to the Independent Consultant and FINRA staff. Within 30 days of receipt of any proposed alternative procedure, the Independent Consultant shall:
(i) reasonably evaluate the alternative procedure and determine whether it will achieve the same objective as the Independent Consultant's original recommendation; and (ii) provide the Firm with a written decision reflecting his or her determination. The Firm will abide by the Independent Consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the Independent Consultant.
7. Within 30 days after the issuance of the later of the Independent Consultant's Written Report or written determination regarding alternative procedures (if any), HFS shall provide FINRA staff with a written implementation report, certified by an officer of HFS, attesting to, containing documentation of, and setting forth the details of the Firm's implementation of the Independent Consultant's recommendations.
8. Upon written request showing good cause, FINRA staff may extend any of the procedural dates set forth above.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing the method by which the Firm proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that the Firm is 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

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- 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, Respondent specifically and voluntarily waives 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.

Respondent further specifically and voluntarily waives 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

Respondent understands 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 Respondent; and

C. If accepted:

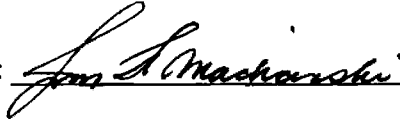
1. this AWC will become part of Respondents permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondents disciplinary record;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Respondent 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. Respondent 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 Respondent's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it 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.

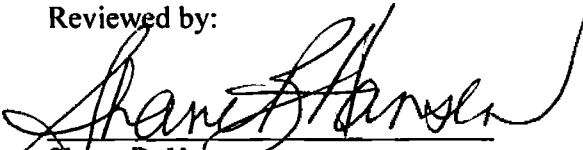
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that it has agreed to its provisions voluntarily; and that no offer, threat, 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 the Firm to submit it.

Hantz Financial Services, Inc.,
Respondent

12/17/13
Date (mm/dd/yyyy)

By: 

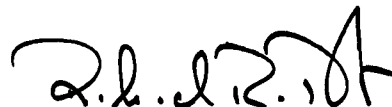
Reviewed by:


Shane B. Hansen
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111 Lyon Street, N.W.
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616-752-2145

Accepted by FINRA:

1.21.14
Date

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


Richard R. Best
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FINRA Department of Enforcement
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