

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Craig Scott Hartman, CRD No. 2335606,

Respondent.

DISCIPLINARY PROCEEDING
NO. 2016052604602

HEARING OFFICER:

COMPLAINT

The Department of Enforcement (“Enforcement”) alleges:

SUMMARY

1. During the period of June 22, 2012 through July 27, 2015, Hartman willfully failed to disclose four unsatisfied federal tax liens filed against him in the total amount of \$206,409.54 via the filing of an amended Uniform Application for Securities Industry Registration or Transfer (“Form U4”), in violation of Article V, Section 2(c) of FINRA’s By-Laws and FINRA Rules 1122 and 2010. The first two liens were disclosed in an amended Form U4 filed approximately four months late, while the last two liens were disclosed in an amended Form U4 filed approximately two and a half years late.

2. In May 2013 and April 2014, Hartman also made false statements to his member firm employer regarding the existence of the federal tax liens, in violation of FINRA Rule 2010.

3. Hartman also violated FINRA Rules 8210 and 2010 when he failed to timely respond to FINRA’s requests for documents and information made in connection with its investigation into Hartman’s failure to disclose the federal tax liens. FINRA requested documents and information pursuant to FINRA Rule 8210 on January 5, 2017, and February 21, 2017, but Hartman did not

fully respond until April 26, 2017, more than three months late and only after he had been served with notice that he would be suspended from association with any FINRA member pursuant to FINRA Rule 9552.

4. Hartman also violated FINRA Rules 8210 and 2010 when he failed to appear and provide on-the-record testimony. Enforcement requested that Hartman appear and provide testimony in FINRA Rule 8210 requests dated January 11, 2018, January 18, 2018, and March 20, 2018, but to date, Hartman has failed to appear and provide the requested testimony.

RESPONDENT AND JURISDICTION

5. Hartman entered the securities industry in March 1993 and, from March 1993 to December 2016, was associated with five FINRA-regulated broker-dealers.

6. Hartman obtained his Series 63 (State Agent) in June 1993; his Series 6 (Investment Company Products/Variable Contracts Representative) in October 1993; his Series 26 (Investment Company Products/Variable Contracts Principal) in February 1997; and his Series 65 (Investment Advisor) in September 1998.

7. From June 1, 2005 through December 20, 2016, Hartman was associated with AXA Advisors, LLC (“AXA” or the “Firm”) as an Investment Company Products/Variable Contracts Representative.

8. In a Uniform Termination Notice of Securities Registration (“Form U5”) dated December 21, 2016, AXA reported the termination of Hartman’s registration due to his “repeated failure to amend his Form U4 in a timely manner.”

9. Hartman has not been associated with any FINRA-regulated broker-dealer since AXA terminated his employment.

10. Although Hartman is no longer registered or associated with a FINRA member firm, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (i) the Complaint was filed within two years after the effective date of termination of Hartman's registration with AXA; (ii) the Complaint charges Hartman with misconduct committed while he was registered or associated with a FINRA member firm; and (iii) the Complaint charges Hartman with failing to respond, or to timely respond, to requests for documents and information and testimony during the two-year period after the date upon which he ceased to be registered or associated with a FINRA-regulated broker-dealer.

FIRST CAUSE OF ACTION

Willful Failure to Disclose Federal Tax Liens on a Form U4 Violation of Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010

11. Enforcement realleges and incorporates by reference Paragraphs 1 through 10 above.

12. Article V, Section 2(c) of FINRA's By-Laws requires registered representatives to keep their Form U4s "current at all times," and provides that amendments to a Form U4 must be filed "not later than thirty days after learning of the facts or circumstances giving rise to the amendment."

13. FINRA Rule 1122 prohibits members or associated persons from filing with FINRA information regarding registration "which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof."

14. FINRA Rule 2010 requires registered representatives to "observe high standards of commercial honor and just and equitable principles of trade." A violation of Article V, Section 2(c) of FINRA's By-Laws and FINRA Rule 1122 is also a violation of FINRA Rule 2010.

15. Registered representatives are required to disclose unsatisfied liens on their Form U4. Specifically, Question 14M of the Form U4 asks registered representatives, “Do you have any unsatisfied judgments or liens against you?” If a registered representative answers Question 14M on his Form U4 in the affirmative, then he or she is also required to provide detailed information about each unsatisfied judgment or lien, including the amount and filing date of the judgment or lien.

16. On June 22, 2012, the Department of the Treasury, Internal Revenue Service (“IRS”), recorded a Notice of Federal Tax Lien in Kane County, Illinois against Hartman in the amount of \$596.26 (the “First Tax Lien”). The First Tax Lien was sent to Hartman on or about June 22, 2012, at his CRD address.

17. On June 22, 2012, the IRS recorded a second Notice of Federal Tax Lien in Kane County, Illinois, against Hartman in the amount of \$99,197.73 (the “Second Tax Lien”). The Second Tax Lien was sent to Hartman on or about June 22, 2012, at his CRD address.

18. Although Hartman was required to amend his Form U4 within 30 days of his receiving notice of the First and Second Tax Liens, or by on or about July 23, 2012, Hartman did not file an amended Form U4 disclosing the First and Second Tax Liens until November 20, 2012, approximately four months late.

19. On November 6, 2012, the IRS recorded a Notice of Federal Tax Lien in Kane County, Illinois, against Hartman in the amount of \$47,239.29 (the “Third Tax Lien”). The Third Tax Lien was sent to Hartman on or about November 6, 2012, to his CRD address.

20. On December 26, 2012, the IRS recorded a Notice of Federal Tax Lien in Kane County, Illinois, against Hartman in the amount of \$59,376.26 (the “Fourth Tax Lien”). The Fourth Tax Lien was sent to Hartman on or about December 26, 2012, to his CRD address.

21. Although Hartman was required to amend his Form U4 within 30 days of his receiving notice of the filing of the Third and Fourth Tax Liens, or by December 5, 2012 and January 24, 2013, respectively, he did not disclose the liens to AXA or file an amended Form U4 disclosing their existence until July 27, 2015, approximately two and a half years late.

22. The First and Second Tax Liens were satisfied and released on February 1, 2016, and February 16, 2016, respectively. The Third and Fourth Tax Liens were satisfied and released on May 26, 2017.

23. The existence of the Federal Tax Liens was material information, and Hartman's failure to timely disclose the liens was willful.

24. By willfully failing to timely amend his Form U4 to reflect the federal tax liens, Hartman violated Article V, Section 2(c) of FINRA's By-Laws and FINRA Rules 1122 and 2010.

SECOND CAUSE OF ACTION

False Statements to Member Firm Employer Violation of FINRA Rule 2010

25. Enforcement realleges and incorporates by reference Paragraphs 1 through 24 above.

26. FINRA Rule 2010 requires members and associated persons to "observe high standards of commercial honor and just and equitable principles of trade." Making false and inaccurate statements to a member-firm employer is inconsistent with high standards of commercial honor and just and equitable principles of trade, and violates FINRA Rule 2010.

27. As alleged above, the Third and Fourth Tax Liens were sent to Hartman at his CRD Address on November 6, 2012 and December 26, 2012, respectively.

28. On May 9, 2013, Hartman attested, in writing, to AXA in his annual questionnaire, that the information contained in his Form U4 was accurate. Hartman did so even though he knew he

was required to disclose the existence of the Third and Fourth Tax Liens, and that the Third and Fourth Tax Liens were not disclosed in his Form U4 as of May 9, 2013.

29. On April 10, 2014, approximately one year later, Hartman again attested, in writing, to AXA in his annual questionnaire, that the information contained in his Form U4 was accurate, even though he was aware that the Third and Fourth Tax Liens were still not disclosed in his Form U4.

30. By making false statements to his member firm employer, Hartman violated FINRA Rule 2010.

THIRD CAUSE OF ACTION
Failure to Timely Respond
Violation of FINRA Rules 8210 and 2010

31. Enforcement realleges and incorporates by reference Paragraphs 1 through 30 above.

32. FINRA Rule 8210(a) requires a “person subject to FINRA’s jurisdiction to provide information orally, in writing, or electronically...with respect to any matter involved in [an] investigation....” FINRA Rule 8210(c) similarly provides that “[n]o member or person shall fail to provide information or testimony ... pursuant to this Rule.” A failure to comply with a request for information pursuant to FINRA Rule 8210 is also a violation of FINRA Rule 2010.

33. On January 5, 2017, FINRA sent a request for documents and information pursuant to FINRA Rule 8210 to Hartman at his CRD address. The January 5, 2017 Rule 8210 request was sent via certified mail, return receipt requested and first class mail.

34. The January 5, 2017 Rule 8210 request sent to Hartman’s CRD address by certified mail was delivered on February 1, 2017. The January 5, 2017 Rule 8210 request sent via first class mail to Hartman’s CRD address was not returned to FINRA.

35. Hartman was required to produce the requested documents and information by January 19, 2017, but failed to do so.

36. On February 21, 2017, FINRA sent Hartman a second letter pursuant to FINRA Rule 8210 requiring the production of the documents and information identified in the January 5, 2017 Rule 8210 request. The February 21, 2017 Rule 8210 request was sent to Hartman's CRD address by certified mail, return receipt requested and first class mail.

37. The February 21, 2017 Rule 8210 request sent to Hartman's CRD address by certified mail was not delivered. A certified mail notice was left at Hartman's CRD address on February 25, 2017, as an authorized recipient was not available. The February 21, 2017 Rule 8210 request sent via first class mail to Hartman's CRD address was not returned to FINRA.

38. Hartman was required to produce the requested documents and information by March 7, 2017. Again, Hartman did not respond or provide the requested documents and information.

39. On April 5, 2017, Enforcement sent Hartman a Notice of Suspension, informing him that he would be suspended from association with any FINRA member on May 1, 2017, if he failed to respond to the FINRA Rule 8210 requests for documents and information by May 1. The April 5, 2017 Notice of Suspension was sent to Hartman's CRD address by certified mail, return receipt requested and first class mail.

40. The April 5, 2017 Notice of Suspension sent to Hartman's CRD address by certified mail was delivered on April 10, 2017.

41. On April 26, 2017, Hartman provided a response to FINRA's January 5, 2017 and February 21, 2017 Rule 8210 requests for documents and information via e-mail sent from his personal e-mail address. As of April 26, 2017, Hartman's response was 97 days late.

42. On April 27, 2017, Enforcement advised Hartman that his April 26, 2017 response was insufficient, and therefore, he had until May 8, 2017 to comply with the Rule 8210 requests. On May 11, 2017, Hartman provided a complete response to FINRA's January 5, 2017 and February 21, 2017 Rule 8210 requests for information. As of May 11, 2017, Hartman's response was 112 days late.

43. By failing to timely respond to FINRA's written requests for documents and information, Hartman violated FINRA Rules 8210 and 2010.

FOURTH CAUSE OF ACTION

Failure to Appear and Provide Testimony Violation of FINRA Rules 8210 and 2010

44. Enforcement realleges and incorporates by reference Paragraphs 1 through 43 above.

45. On January 11, 2018, Enforcement sent a first request pursuant to FINRA Rule 8210 for Hartman to appear in FINRA's offices and provide on-the-record testimony (the "First Rule 8210 OTR Request").

46. The First Rule 8210 OTR Request was sent to Hartman's CRD address via certified mail, return receipt requested, first class mail and to his personal e-mail address. The copy of the First Rule 8210 OTR Request sent on January 11, 2018 via certified mail was returned to Enforcement marked "Return to Sender, Unclaimed, Unable to Forward".

47. Although the copies of the First Rule 8210 OTR Request sent via first class mail and e-mail were not returned, Enforcement sent another copy of the First Rule 8210 OTR Request to Hartman on January 18, 2018, to confirm that he received notice. The copy of the First Rule 8210 OTR Request sent on January 18, 2018 by certified mail, return receipt requested, was delivered on January 22, 2018; however, the signature on the return receipt is illegible. The copies of the First Rule 8210 OTR Request sent by first class mail to Hartman's CRD address were not returned

to Enforcement, and the copies of the First Rule 8210 OTR Request sent by e-mail were not returned to Enforcement as undeliverable.

48. Hartman was required to appear and provide testimony on January 24, 2018; however, Hartman did not appear for his scheduled testimony.

49. On March 20, 2018, Enforcement sent a second request pursuant to FINRA Rule 8210 for Hartman to appear in FINRA's offices and provide on-the-record testimony (the "Second Rule 8210 OTR Request").

50. The Second Rule 8210 OTR Request for Hartman's testimony was sent to Hartman's CRD address via certified mail, return receipt requested, first class mail and to his personal e-mail address. The Second Rule 8210 OTR Request sent by certified mail was delivered on March 26, 2018; the "received by" name states HARTMAN, however, the signature on the return receipt is illegible. The copy of the Second Rule 8210 OTR Request sent by first class mail to Hartman's CRD address was not returned to Enforcement, and the copy of the Second Rule 8210 OTR Request sent by e-mail was not returned to Enforcement as undeliverable.

51. Pursuant to the Second Rule 8210 OTR Request, Hartman was required to appear and provide testimony on April 4, 2018; however, Hartman did not appear for his scheduled testimony.

52. By refusing to appear and provide on-the-record testimony on January 24, 2018, and April 4, 2018, as requested pursuant to FINRA Rule 8210, Hartman violated FINRA Rules 8210 and 2010.

53. Hartman's failures to timely cooperate with Enforcement's requests for documents and information and to provide on-the-record testimony on January 24, 2018, and April 4, 2018, each constitute separate and distinct violations of FINRA Rules 8210 and 2010.

RELIEF REQUESTED

WHEREFORE, Enforcement respectfully requests that the Panel:

- A. makes findings of fact and conclusions of law that Hartman committed the violations charged and alleged herein;
- B. order that one or more of the sanctions provided under FINRA Rule 8310(a), including monetary sanctions, be imposed;
- C. order that Hartman bear such costs of proceeding as are deemed fair and appropriate under the circumstances in accordance with FINRA Rule 8330; and,
- D. make specific findings that Hartman's conduct, as alleged in the First Cause of Action, was willful; that the omitted information was material; and that the omission to state material facts was on a Form U4 application.

FINRA DEPARTMENT OF ENFORCEMENT

Date:

7/6/18

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