

**STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU**

In the matter of:

Agency No. 328767

DANIEL HARTLEY
CRD# 1141270

Respondent.
_____ /

This 4th day of October, 2016
Issued and entered

**NOTICE OF INTENT TO CONDITION OR REVOKE INVESTMENT ADVISER
REPRESENTATIVE AND SECURITIES AGENT REGISTRATIONS**

I. RELEVANT FACTS AND APPLICABLE LAW.

Relevant information and statutory provisions, under the Michigan Uniform Securities Act (2002), 2008 PA 551, as amended, MCL 451.2101 *et seq* (the "Securities Act"):

1. Daniel Hartley ("Respondent") has been registered as an investment adviser representative in the State of Michigan through PFS Investments, Inc. (CRD#10111) from in or around October of 2011 through the present.
2. Respondent has been registered as a securities agent through PFS Investments, Inc. (CRD#10111) from in or around March of 1985 through the present.
3. Respondent was suspended as a securities agent¹ for two months by the Financial Industry Regulatory Authority ("FINRA") Acceptance, Waiver, & Consent ("FINRA AWC") in or around in or around August of 2014. (See Exhibit 1 – FINRA Acceptance, Waiver & Consent). The FINRA suspension lasted from September 2, 2014 until November 1, 2014, and related to borrowing money from a customer and failing to timely report tax liens on his Form U4 registration application.
4. The Corporations, Securities & Commercial Licensing Bureau ("the Bureau") within the Department of Licensing and Regulatory Affairs opened an investigation to review Respondent's activities.
5. The investigation developed evidence that Respondent issued a promissory note to a customer in the amount of \$150,000.00 to reflect an amount owed to the customer by Respondent and/or his spouse in connection a purchase of real property. (See Exhibit 2

¹ The FINRA suspension also applied to Respondent's investment adviser representative registration pursuant to section 404(5) of the Securities Act, MCL 451.2404(5).

– Promissory Notes). Respondent acknowledged that he knew the transaction likely violated FINRA rules, and that he structured it in a manner designed to avoid regulatory scrutiny. Respondent subsequently misled his employer about the nature of the transaction once it was uncovered. (See Exhibit 3 – Statement of Mitigating Circumstances).

6. The investigation developed further evidence that Respondent submitted a balance sheet to the Bureau that omitted the liability represented by the promissory notes. (Exhibit 4 – Daniel Hartley 2011 Balance Sheet).
7. The Director (“Administrator”) of the Bureau has reviewed materials relating to Respondent’s actions as a registrant under the Securities Act. The Administrator has determined that it is authorized, appropriate, and in the public interest to condition or revoke Respondents securities agent and investment adviser representative registrations based upon Respondent’s conduct discussed above and hereafter.
8. Section 412(2) of the Securities Act, MCL 451.2412(2), states:

If the administrator finds that the order is in the public interest and subsection (4) authorizes the action, an order under this act may revoke, suspend, condition, or limit the registration of a registrant and if the registrant is a broker-dealer or investment adviser, of a partner, officer, or director, or a person having a similar status or performing similar functions, or a person directly or indirectly in control of the broker-dealer or investment adviser...

9. Section 412(3) of the Securities Act, MCL 451.2412(3) states:

If the administrator finds that the order is in the public interest and subsection (4)(a) to (f), (i) to (j), or (l) to (n) authorizes the action, an order under this act may censure, impose a bar, or impose a civil fine in an amount not to exceed a maximum of \$10,000.00 for a single violation or \$500,000.00 for more than 1 violation on a registrant and, if the registrant is a broker-dealer or investment adviser, on a partner, officer, or director, a person having a similar status or performing similar functions, or a person directly or indirectly in control of the broker-dealer or investment adviser.

10. Section 412(4) of the Securities Act, MCL 451.2412(4) states in relevant part:

(m) The person has engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous 10 years...

11. Section 412(7) of the Securities Act, MCL 451.2412(7) states:

(7) Except under subsection (6), an order shall not be issued under this section unless all of the following have occurred:

- (a) Appropriate notice has been given to the applicant or registrant.
- (b) Opportunity for hearing has been given to the applicant or registrant.
- (c) Findings of fact and conclusions of law have been made on the record pursuant to the administrative procedures act of 1969, 1969 PA 306, MCL 24.201 to 24.328.

12. The Administrator may condition or revoke Respondent's investment adviser representative and securities agent registrations pursuant to section 412(2) of the Securities Act, MCL 451.2412(2), because it is in the public interest, and because:

- A. Respondent engaged in dishonest and unethical behaviors in the securities industry by soliciting a loan from a customer, and trying to structure the loan in a way that would avoid regulatory scrutiny, contrary to section 412(4)(m), MCL 451.2412(4)(m). Respondent engaged in further dishonest and unethical behavior by misleading his employer about the nature of the transaction, and by failing to disclose it on a balance sheet submitted to the Bureau in or around 2011, contrary to section 412(4)(m) of the Securities Act, MCL 451.2412(4)(m).

II. ORDER.

The Administrator finds that this ORDER is authorized, appropriate, and in the public interest based on the above-cited facts and law.

IT IS ORDERED as follows:

1. The Administrator intends TO CONDITION OR REVOKE THE INVESTMENT ADVISER REPRESENTATIVE AND SECURITIES AGENT REGISTRATIONS OF DANIEL HARTLEY under section 412(2) of the Securities Act, MCL 451.2412(2), because he has engaged in dishonest and unethical business practices in the securities industry within the previous 10 years, which supports the conditioning or revocation of his investment adviser representative and securities agent registrations under the above-cited provisions of the Michigan Uniform Securities Act (2002), 2008 PA 551, MCL 451.2101 *et seq.*

2. In her final order, the Administrator intends to impose a civil fine of \$10,000.00 against Respondent under section 412(3) of the Securities Act, MCL 451.2412(3).

3. In accordance with sections 412(2) and 412(7) of the Securities Act, MCL 451.2412(2) and MCL 451.2412(7): This is NOTICE that the Administrator intends to commence administrative proceedings to CONDITION OR REVOKE Respondent's investment adviser representative and securities agent registrations, and that Respondent has thirty (30) days after the date that this Order is served on Respondent to respond in writing to the enclosed Notice of Opportunity to Show Compliance. If the Administrator timely receives a written request,

depending upon the election, the Administrator shall either promptly schedule a compliance conference, or schedule a hearing within fifteen (15) days after receipt of the written request. If you fail to respond to this Notice and Order within the time frame specified, the Administrator shall schedule a hearing. If a hearing is requested or ordered, the Administrator, after notice of and an opportunity for hearing to Respondent, may modify or vacate this Order or extend the Order until final determination.

If Respondent requests a hearing, the request must be in writing and filed with the Department of Licensing and Regulatory Affairs, Corporations, Securities & Commercial Licensing Bureau, Regulatory Compliance Division, P.O. Box 30018, Lansing, MI 48909.

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

By:  _____
Julia Dale, Administrator and Director
Corporations, Securities & Commercial Licensing Bureau