

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

In the matter of:

TODD KRANTZ
CRD#4150550

ENF-22-020059

Respondent.

Issued and entered
this 12th day of May 2023

STIPULATION AND CONSENT ORDER
RESOLVING NOTICE OF INTENT TO REVOKE INVESTMENT ADVISER
REPRESENTATIVE REGISTRATION AND ORDER OF SUMMARY
SUSPENSION

A. Relevant information and statutory provisions, under the Michigan Uniform Securities Act (2002) (the “Act”), 2008 PA 551, MCL 451.2101 *et seq.*:

1. On June 1, 2022, the State of Michigan, Department of Licensing and Regulatory Affairs, Corporations, Securities, and Commercial Licensing Bureau (“Bureau”) and the Director of the Bureau, who serves as the Administrator of the Act (the “Administrator”), issued a notice of intent to revoke investment adviser representative registration and order of summary suspension (“NOIR”) to Respondent Todd Krantz (“Respondent”).

2. Respondent is an individual who was registered to act as an investment adviser representative under the Act beginning on or around November 16, 2021, until on or around June 1, 2022.

3. The NOIR indicated the Administrator intended to revoke the investment adviser representative registration of Respondent under MCL 451.2412(2) and MCL 451.2412(4).

4. The NOIR also summarily suspended Respondent's registration under MCL 451.2412(6) pending the final determination of the administrative proceedings.

5. Respondent timely requested an administrative hearing under MCL 451.2412(2) and (7) (the "Hearing Request").

6. Following issuance of the NOIR, the Bureau and Respondent (collectively, "the Parties") engaged in settlement negotiations through this Stipulation and Consent Order Resolving Notice of Intent to Revoke Investment Adviser Representative Registration and Order of Summary Suspension ("Consent Order").

7. Respondent consulted with or had an opportunity to consult with legal counsel of his choosing before executing the following Stipulation.

B. STIPULATION

The Parties agree to resolve the NOIR based on the following terms:

1. Respondent agrees to withdraw his registration as an investment adviser representative in Michigan by filing or causing his employing investment adviser firm to file a Form U5 with the Central Registration Depository ("CRD") within five (5) business days of the issued and entered date of this Consent Order.

2. Respondent agrees that he will not conduct any business in Michigan regulated under the Securities Act and will not act as a principal or consultant on

behalf of any entity so engaged in that business for ten (10) years from the issued and entered date of this Consent Order. The ten (10) year prohibition from conduct regulated by the Securities Act includes activity regulated under the Securities Act that is registered or exempt from registration.

3. After ten (10) years from the issued and entered date of this order, Respondent may apply for registrations under the Securities Act or engage in properly exempt activities; however, any such application is not a guarantee of approval and the Administrator may deny such applications if the Administrator finds that denial is authorized by law, appropriate, and in the public interest. The Administrator may use any of the facts set out in the NOIR when considering future applications for registration by Respondent, and Respondent agrees to waive any assertion or claim under MCL 451.2412(9) which would otherwise bar the Administrator from consideration of those facts in making a determination.

4. The Order of Summary Suspension issued together with the NOIR in this matter is dissolved effective on the issued and entered date of this Consent Order.

5. For the purposes of these proceedings and any other proceedings brought by or on behalf of the Bureau, Respondent acknowledges the Bureau's jurisdiction over him and the subject matter of these proceedings and consents to the entry of this Consent Order for the purpose of resolving the NOIR.

6. Respondent neither admits nor denies the allegations in the NOIR or any wrongdoing in connection with this matter, and consents to entry of this Consent Order only for the purpose of resolving the NOIR in an expeditious fashion that avoids

the time and expense associated with an administrative proceeding and any related appeals.

7. Respondent's Hearing Request is revoked without further action by the Parties.

8. Following the issuance and entry of this Consent Order, the Bureau will file Form U6 with the CRD reflecting the Parties' resolution of the NOIR.

9. This matter is a public record required to be published and made available to the public, under section 11 of the Michigan Freedom of Information Act, MCL 15.241. The Bureau publishes copies of orders issued under the Act to its website and includes a summary of order content in monthly disciplinary action reports separately published there.

10. Respondent must comply with any reasonable investigative demands made by the Bureau in the future for purposes of ensuring compliance with this Consent Order or the Act.

11. Respondent waives any right to a hearing or appeal of this Consent Order and the NOIR under the Act, the rules promulgated under the Act, the Administrative Procedures Act of 1969, 1969 PA 306, MCL 24.201 *et seq.*, or other applicable law.

12. This Consent Order is fully effective and binding on its issued and entered date. The Administrator may accept or reject it. If the Administrator rejects it, the Bureau will submit the Hearing Request for adjudication through a formal administrative proceeding.

13. This Consent Order contains the entire understanding of the Parties and supersedes and forever terminates all prior and contemporaneous representations, promises, agreements, understandings, and negotiations, whether oral or written, with respect to its subject matter.

14. This Consent Order resolves only Respondent's activities, conduct, and statutory violations alleged in the NOIR, but it does not address or resolve any other conduct or potential statutory violations engaged in by Respondent not expressly alleged in the NOIR or occurring after the date this Consent Order is entered. Further, this Consent Order does not preclude any other individual or entity, including but not limited to authorized state or federal agencies or officials, from initiating or pursuing civil or criminal action against Respondent. The Consent Order does not preclude the Bureau or its staff from fully cooperating with any state or federal agency or official that may investigate or pursue its own civil or criminal enforcement against Respondent.

15. This Consent Order may only be modified in writing signed by each Party and approved by a subsequent order of the Administrator.

16. The Parties agree that facsimile or electronically transmitted signatures may be submitted in connection with this Consent Order and are binding on that party to the same extent as an original signature.


Through his signature, Respondent confirms that he read, understands, and agrees to the above terms.

Stipulation & Consent Order
Todd Krantz
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Signed: 
7BADFB19A5C049C...
Todd Krantz

Dated: May 5, 2023

Reviewed and Acknowledged by:

Signed: 
Everett Pritchard (May 5, 2023 13:42 MDT)
Everett Pritchard

Dated: May 5, 2023

Approved by:

Signed: _____ Dated: _____
Lindsay DeRosia
Securities & Audit Division Director
Corporations, Securities & Commercial Licensing Bureau

Reviewed and Drafted by:

Signed: _____ Dated: _____
Aaron Levin (P81310)
Assistant Attorney General
Attorney for the Bureau

Signed: _____
Todd Krantz


Dated: _____

Reviewed and Acknowledged by:

Signed: _____
Everett Pritchard


Dated: _____

Approved by:

Signed:  _____
Lindsay DeRosia
Securities & Audit Division Director
Corporations, Securities & Commercial Licensing Bureau

Dated: 5/8/23

Reviewed and Drafted by:

Signed:  _____
Aaron Levin (P81310)
Assistant Attorney General
Attorney for the Bureau

Dated: 5/8/23

C. ORDER

The Administrator NOW, THEREFORE, ORDERS:

THE TERMS AND CONDITIONS IN THE ABOVE FULLY EXECUTED
STIPULATION ARE INCORPORATED IN THIS CONSENT ORDER.

By: /s/ Linda Clegg

Linda Clegg

Administrator and Director

Corporations, Securities & Commercial Licensing Bureau

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

In the matter of:

Agency No. ENF-22-020059

TODD KRANTZ
CRD# 4150550

Respondent.

_____/

Issued and entered
This 1st day of June, 2022

**NOTICE OF INTENT TO REVOKE
INVESTMENT ADVISER REPRESENTATIVE REGISTRATION
AND ORDER OF SUMMARY SUSPENSION**

I. RELEVANT FACTS AND APPLICABLE LAW.

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

1. Since on or around November 16, 2021, Todd Krantz (CRD# 4150550, "Respondent") has been registered as an investment adviser representative associated with Advanced Retirement Solutions, Inc. (IARD#158078, "ARS"), an Arkansas-based investment adviser firm registered as an investment adviser under the Securities Act.
2. Heartland Production and Recovery, LLC was the subject of a Notice and Order to Cease and Desist issued by the State of Michigan Department of Licensing and Regulatory Affairs, Corporations, Securities, and Commercial Licensing Bureau ("Bureau") issued on or around January 31, 2020 for employing or associating with unregistered agents in violation of MCL 451.2402(4). Heartland Production and Recovery, LLC did not contest the order, paid a fine assessed by the order, and the order became final by operation of law under MCL 451.2604. The order remains effective.
3. Respondent was the subject of a Notice and Order to Cease and Desist issued by the Bureau issued on or around April 2, 2020 for acting as an unregistered agent for Heartland Production and Recovery, LLC and related entities (collectively "Heartland") in violation of MCL 451.2402. Respondent did not contest the order, paid a fine assessed by the order, and the order became final by operation of law under MCL 451.2604 when Respondent did not request a hearing within 30 days of its issuance. The order remains effective.
4. Heartland and affiliated entities were alleged by the United States Securities and Exchange Commission ("SEC") in December of 2021 to be a Ponzi scheme that had

defrauded investors nationwide out of upwards of \$122,000,000, including in Michigan as a result of sales made by Respondent. Heartland is now in a receivership pursuant to an order of the United States District Court for the Northern District of Texas.

5. After the Bureau's April 2020 order and before the SEC's December 2021 civil action, Respondent engaged in a scheme to continue offering and selling Heartland securities to Michigan investors through an intermediary despite the April 2, 2020 order to cease and desist from effecting the sales of Heartland securities.
6. Respondent's scheme to evade securities registration requirements and continue earning substantial commissions or management fees from the Heartland Ponzi scheme involved his establishing a "feeder fund" with the assistance of a Texas attorney named Rustin Brunson who was also a manager for Heartland.
7. Respondent's feeder fund was called Lonestar Alternative Investment Fund I, LLC ("Lonestar Fund"), and was managed by Lonestar Alternative Management Group, LLC ("Lonestar Management"), both of which were Texas-organized limited liability companies set up by Rustin Brunson, a manager for Heartland. Rustin Brunson organized the fund for Respondent to continue funneling investor funds to Heartland, despite the April 2, 2020 cease and desist order against Respondent and the January 31, 2020 order against Heartland.
8. The scheme to evade securities registration requirements involved Respondent soliciting investments in Lonestar Fund from Michigan investors, then funneling investor funds through Lonestar Fund to Heartland purportedly for the same amount paid by the investor, notwithstanding the fact that Respondent withheld a fee of 6% from each transaction. Lonestar Fund invested investor funds exclusively in securities issued by the Heartland Ponzi scheme after retaining a 6% commission or fee for Respondent.
9. Respondent provided documentation to Bureau staff to show the flow of funds from investors, through Lonestar Fund, and to Heartland. Respondent, holding himself out as "Fund Manager" of Lonestar Fund, accepted funds from investors and deposited them into the feeder fund bank account. Respondent as a signatory on the feeder fund bank account retained 6% of the investor's funds, then transferred the balance to the Heartland Ponzi scheme, and provided investors with documentation showing that 100% of the value of their investment had been invested with Heartland. For example:

A. Michigan investor 1 deposited \$200,000 with Lonestar Fund pursuant to a subscription agreement on or around October 30, 2020, then on or around October 30, 2020, Lonestar Fund or Lonestar Management caused \$188,000 to be transferred to Heartland. Heartland issued a note payable to Lonestar Fund for \$200,000 notwithstanding the deposit only being \$188,000, then Lonestar Fund issued a note with identical terms to investor 1 for \$200,000. Respondent retained a 6% fee in connection with the transaction.

B. Michigan investor 2 invested \$50,000 on or around September 29, 2020 that was due to him from a prior Heartland investment sold to him by Respondent, and entered into a note investment with Lonestar Fund pursuant to a subscription agreement rather than accepting payment due to him under the prior Heartland investment. Investor 2 represented to Bureau staff that Respondent encouraged him to “renew” his investment in Heartland by accepting the Lonestar Fund note.

C. Michigan investor 3 invested \$200,000 with Lonestar Fund on or around June 1, 2020 pursuant to a subscription agreement, then Lonestar Fund or Lonestar Management caused \$194,000 to be transferred to Heartland. Heartland issued a note payable to Lonestar Fund on or around June 3, 2020 for \$200,000 notwithstanding the \$194,000 transfer, and Lonestar Fund issued a note to investor 3 for \$200,000 on or around June 1, 2020. Respondent was paid a 6% fee in connection with the transaction.

D. Michigan investor 4 deposited \$300,000 with Lonestar Fund on or around July 30, 2020 pursuant to a subscription agreement, then Lonestar Fund or Lonestar Management caused \$282,000 to be transferred to Heartland. Heartland issued a note to feeder fund for \$300,000 notwithstanding the \$282,000 transfer, and Lonestar Fund issued a note with identical terms to investor 4 for \$300,000 on July 19, 2020. Respondent was paid a 6% fee in connection with the transaction.

E. Investor 4 invested another \$100,000 with Lonestar Fund on or around June 25, 2021 and Lonestar Fund or Lonestar Management caused \$94,000 to be deposited with Heartland. On June 29, 2021, a note for \$100,000 was issued by Heartland to Lonestar Fund, while Lonestar Fund issued a note with identical terms to investor 4 for \$100,000 on or around June 24, 2021, with Respondent receiving a 6% fee in connection with the transaction.

10. Lonestar Fund stated on page 7 of its private placement memorandum offering document (“PPM”) that it “will apply the net proceeds of the Offering (after the payment of various expenses, ongoing general and administrative, legal accounting and engineering, and other expenses of the Fund not to exceed 6% of the offering proceeds) for the purchase of Notes issued by The Heartland Group Fund III, LLC...” Neither Lonestar Fund nor Respondent stated that the “administrative fees” would *always*¹ be 6%, or that those fees may be paid as compensation to Respondent as a disguised commission or investment management fee.²

¹ Respondent, Lonestar Fund, and/or Lonestar Management always charged a 6% fee on each transaction, even though they stated that fees were “not to exceed 6%...” It was misleading to state fees would not exceed 6% when in fact the fee was always going to be 6% of each transaction to be paid to Respondent.

² “Commission” is defined by Black’s Law Dictionary as, “A fee paid to an agent or employee for a particular transaction, usu. as a percentage of the money received from the transaction.” COMMISSION, Black’s Law Dictionary (11th ed. 2019).

11. Alternatively, and to the extent Respondent argues that the 6% fee he received from each transaction was not a commission, but rather was a management fee paid based on Lonestar Management's selection of investments for Lonestar Fund, then Lonestar Management was acting as an investment adviser to Lonestar Fund, and Respondent was an investment adviser representative for Lonestar Management. Lonestar Management was not registered as an investment adviser and has not claimed an exemption from registration, nor was Respondent registered as an investment adviser representative of Lonestar management at the time of the relevant transactions, in violation of MCL 451.2403 and MCL 451.2404, respectively.
12. Both Respondent and Heartland had been subjects of cease and desist orders issued by the Bureau in connection with the offer or sale of Heartland securities, and Respondent did not disclose this in any of the marketing materials provided to investors, despite providing a great deal of background information regarding himself and Heartland. A reasonable investor might have found it important when making an investment decision to know that both Respondent and Heartland had previously violated Michigan securities laws related to Heartland offerings and paid fines in connection with those securities law violations. These omissions of fact were particularly material considering the Lonestar Fund investments offered to Michigan residents were nothing more than a scheme to evade Respondent's and Heartland's registration requirements in Michigan.
13. Respondent was aware of the cease and desist orders against both himself and Heartland, but willfully continued acting on behalf of the Heartland Ponzi scheme in offering and selling its investments to Michigan notwithstanding those orders.
14. The Director of the Bureau ("Administrator") has reviewed materials relating to Respondent's registration as an investment adviser representative in Michigan and his conduct involving the Heartland Ponzi scheme, and has determined that it is authorized, appropriate, and in the public interest to revoke Respondent Todd Krantz's registration.
15. MCL 451.2412(2), provides that if the Administrator finds that the Order is in the public interest and MCL 451.2412(4) authorizes the action, the Administrator may issue an Order to revoke, suspend, condition, or limit the registration of an investment adviser representative.
16. MCL 451.2412(4) states in relevant part:
 - (4) A person may be disciplined under subsections (1) to (3) if any of the following apply to the person:

(b) The person willfully^[3] violated or willfully failed to comply with this act or the predecessor act or a rule adopted or order issued under this act or the predecessor act within the previous 10 years.

(l) The person is the subject of a cease and desist order issued by the securities and exchange commission or issued under the securities, commodities, investment, franchise, banking, finance, or insurance laws of a state.

(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...

17. MCL 451.2412(6), authorizes the Administrator to summarily suspend a registration pending final determination of an administrative proceeding.

18. MCL 451.2402 states in relevant part:

(1) An individual shall not transact business in this state as an agent unless the individual is registered under this act as an agent or is exempt from registration as an agent under subsection (2).

19. MCL 451.2403 states in relevant part:

(1) A person shall not transact business in this state as an investment adviser unless the person is registered under this act as an investment adviser or is exempt from registration as an investment adviser under subsection (2).

20. MCL 451.2404 states in relevant part:

(1) An individual shall not transact business in this state as an investment adviser representative unless the individual is registered under this act as an investment adviser representative or is exempt from registration as an investment adviser representative under subsection (2).

21. MCL 451.2501 states in relevant part:

It is unlawful for a person, in connection with the offer, sale, or purchase of a security or the organization or operation of a Michigan investment market under article 4A, to directly or indirectly do any of the following:

[³] Official commentary to the Uniform Securities Act (2002) states, "All that is required is proof that a person acted intentionally in the sense that the person was aware of what he or she was doing. Proof of evil motive or intent to violate the law or knowledge that the law was being violated is not required." Available at: <https://www.nasaa.org/wp-content/uploads/2021/09/2002-Uniform-Securities-Act.pdf>

- (a) Employ a device, scheme, or artifice to defraud.
- (b) Make an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.
- (c) Engage in an act, practice, or course of business that operates or would operate as a fraud or deceit on another person.

22. The Administrator may summarily suspend and revoke Respondent's investment adviser representative registration under MCL 451.2412(2) and MCL 451.2412(6) because it is in the public interest and because multiple bases exist under MCL 451.2412(4):

A. Respondent willfully violated MCL 451.2402 under the Securities Act and the April 2, 2020 cease and desist order issued against him by the Bureau when he engaged in a scheme to continue earning a 6% commission from Heartland by marketing and selling Heartland Ponzi scheme investments to Michigan residents despite being ordered to stop representing Heartland in the sale of its securities in April of 2020, causing the applicability of MCL 451.2412(4)(b);

B. Alternatively, if Respondent is not in violation of MCL 451.2402, Respondent willfully violated MCL 451.2403 and MCL 451.2404 by acting as an unregistered investment adviser representative and operating Lonestar Alternative Management Group, LLC as an unregistered investment adviser when he advised Lonestar Alternative Investment Fund I, LLC to invest exclusively in the Heartland Ponzi scheme in exchange for a 6% management fee, after having been ordered to cease and desist from effecting transactions in Heartland securities in April 2020, causing the applicability of MCL 451.2412(4)(b);

C. Respondent willfully violated MCL 451.2501(b) by omitting to state material facts necessary to make other statements made not misleading in connection with the offer or sale of securities when he provided investors with details about Heartland and about his own background, but failed to state that both he and Heartland had been subject to cease and desist orders and paid fines in connection with the offer and sale of Heartland securities. A reasonable investor might consider these omitted statements of fact to be important in making an investment decision, and Respondent failed to provide them to investors in violation of MCL 451.2501, causing the applicability of MCL 451.2412(4)(b);

D. Respondent willfully violated MCL 451.2501(b) by omitting to state material facts necessary to make other statements made not misleading in connection with the offer or sale of securities when he stated that an "administrative fee....not to exceed 6%" would be charged, when in reality, the 6% fee was always charged in order to pay a commission or management fee

to Respondent. A reasonable investor might consider it important to know that the fee was not up to 6%, but rather that it was always 6%. The omitted statement regarding the nature of the fee was material and omitted in violation of MCL 451.2501(b), causing the applicability of MCL 451.2412(4)(b);

E. Respondent became subject to a cease and desist order issued by the Bureau on or around April 2, 2020, causing the applicability of MCL 451.2412(4)(l); and

F. Respondent engaged in dishonest or unethical business practices by developing and implementing a scheme to evade registration requirements for Heartland Ponzi scheme securities and for himself to earn substantial commissions or management fees at the expense of Michigan investors after he had been ordered to stop representing Heartland in the offer or sale of its investments. This scheme to continue reaping substantial payments from Heartland at the expense of Michigan investors was dishonest or unethical, causing the applicability 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 revoke the investment adviser representative registration application of Todd Krantz under 451.2412(2) and MCL 451.2412(4).
2. Respondent's registration as an investment adviser representative is summarily suspended under MCL 451.2412(6) pending the final determination of the administrative proceedings on the revocation of his investment adviser representative registration.
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 revoke Respondent's investment adviser representative registration, 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 there is no response 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 Applicant 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 or electronically to CSCL-FOIA@Michigan.gov.

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
CORPORATIONS, SECURITIES, AND COMMERCIAL LICENSING BUREAU

By: /s/ Linda Clegg
Linda Clegg, Administrator and Director
Corporations, Securities, and Commercial Licensing Bureau

10/1/2022
Date