



STATE OF MICHIGAN

GRETCHEN WHITMER
GOVERNOR

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
LANSING

ORLENE HAWKS
DIRECTOR

In the matter of:

MICHAEL HANSON
CRD# 1494230

Docket No. 19-020902
Complaint No. 339977

Respondent.

FINAL ORDER

1. This matter came before the Department of Licensing and Regulatory Affairs under the Michigan Uniform Securities Act (2002), MCL 451.2101 *et seq.* (the "Act").
2. The Interim Director of the Corporations, Securities & Commercial Licensing Bureau, who is the Administrator of the Act (the "Administrator"), received the Proposal for Decision (the "PFD") and the entire hearing record, in accordance with MCL 451.2412 and the Administrative Procedures Act of 1969, MCL 24.201 *et seq.*
3. The Administrator considered the Findings of Fact and Conclusions of Law in the PFD of Thomas A. Halick, Administrative Law Judge, dated May 7, 2020, and the complete hearing record.
4. The PFD is incorporated by reference.
5. Respondent was found in violation of the Act and/or its associated administrative rules.

THEREFORE, IT IS ORDERED that Respondent's Securities Agent Registration is immediately Revoked, as authorized by MCL 451.2412(2) & (4)(g).

This Final Order is effective immediately upon its mailing.

Given under my hand at Okemos, Michigan, this 17th day of September 2020.

DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS

By: Linda Clegg
Linda Clegg, Administrator and
Interim Corporations, Securities & Commercial Licensing Bureau Director

Date mailed: September 17, 2020

**STATE OF MICHIGAN
MICHIGAN OFFICE OF ADMINISTRATIVE HEARINGS AND RULES**

IN THE MATTER OF:

Docket No.: 19-020902

**Corporations, Securities & Commercial
Licensing Bureau,
Petitioner**

Case No.: 339977

v

**Agency: Corp. Securities
Commercial
Licensing Bureau**

**Michael Hanson,

Respondent**

Case Type: Security Division

Filing Type: Appeal

**Issued and entered
this 7th day of May 2020
by: Thomas A. Halick
Administrative Law Judge**

PROPOSAL FOR DECISION

PROCEDURAL HISTORY

On September 18, 2019, this matter commenced under the Michigan Uniform Securities Act, MCL 451.21010 *et seq.*, 2008 PA 551, as amended (the "Securities Act"). The Corporations, Securities & Commercial Licensing Bureau ("Bureau"), a division of the Department of Licensing and Regulatory Affairs and Petitioner in this matter, then issued to Respondent, Michael Hanson, a Notice of Intent to Revoke, Suspend, Condition, or Limit Securities Agent Registration ("Notice of Intent to Revoke"). The notice alleged that Respondent was in violation of the Securities Act and notified him of the Bureau's intent to commence administrative proceedings against his registration if he did not request an Opportunity to Show Compliance within thirty days.

On October 28, 2019, the Michigan Office of Administrative Hearings and Rules (MOAHR) received Petitioner's request for a hearing to revoke, suspend, condition, or limit Respondent's securities agent registration. On October 29, 2019, MOAHR mailed a Notice of Hearing to Respondent at two addresses supplied by the Bureau. No mail was returned as undeliverable. The hearing was initiated as scheduled, at 9:00 a.m. on November 27, 2019 in Lansing, Michigan.

Administrative Law Judge Thomas A. Halick presided over the hearing. Assistant Attorney General Aaron Levin appeared on behalf of Petitioner. Neither Respondent, nor an

attorney or authorized representative appeared at the hearing on Respondent's behalf. Neither party filed a request for adjournment.

After establishing that Respondent had received proper legal notice of the hearing and waiting over twenty-five minutes from the scheduled start time, the Administrative Law Judge conducted the hearing in Respondent's absence, pursuant to Section 72 of the APA, MCL 24.272, 1969 PA 306, as amended, and Rule 134 of the Michigan Administrative Hearing Rules, Mich Admin Code, R 792.10134.

Section 72(1) of the APA provides as follows:

Sec. 72. (1) If a party fails to appear in a contested case after proper service of notice, the agency, if no adjournment is granted, may proceed with the hearing and make its decision in the absence of the party. MCL 24.272(1).

Rule 134 of the Michigan Administrative Hearing Rules provides as follows:

Rule 134. (1) If a party fails to attend or participate in a scheduled proceeding after a properly served notice, the administrative law judge may conduct the proceedings without participation of the absent party. The administrative law judge may issue a default order or other dispositive order which shall state the grounds for the order. Rule 792.10134.

The Administrative Law Judge found Respondent in default, under Rule 134 and Section 78(2) of the Administrative Procedures Act (APA), MCL 24.278, 1969 PA 306, as amended. Section 78(2) of the APA provides as follows:

Sec. 78. (2) Except as otherwise provided by law, disposition may be made of a contested case by stipulation, agreed settlement, consent order, waiver, *default* or other method agreed upon by the parties. MCL 24.278(2). (Emphasis added).

On November 21, 2019, Respondent

As a result of Respondent's default, the factual and legal allegations contained in Petitioner's Notice were deemed as true and proven. Petitioner also presented one witness in support of the allegations. Stephen Scott, a regulation officer for the Bureau. Petitioner offered the following exhibits, which were admitted into evidence:

Exhibit A: Respondent's undated Central Registration Depository ("CRD") disclosure, listing Respondent's residential address and Respondent's business address.

Exhibit B: Petitioner's Proof of Service that the Notice of Intent to Revoke, Suspend, Condition, or Limit Securities Agent Registration was sent to both Respondent's residential address and Respondent's employment address, attached to a copy of the notice itself, and a copy of a signed return receipt.

Petitioner recommended that a sanction should be imposed on Respondent and that revocation of Respondent's license would be an appropriate sanction. The record was closed at the conclusion of the hearing.

ISSUES AND APPLICABLE LAW

Petitioner seeks to revoke Respondent's securities agent registration.

The Bureau, a division of the Department of Licensing and Regulatory Affairs, may revoke Respondent's securities agent registration pursuant to Section 412(2) of the Securities Act:

Sec. 412.

* * *

(2) If the administrator^[1] 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

MCL 451.2412(2).

The issue presented in this matter is whether Respondent has met a condition under Subsection (4), thereby authorizing the Bureau to revoke his registration. The Notice of Intent to Revoke alleges that Respondent is insolvent, as set forth in Subsection (4)(g):

Sec. 412.

* * *

(4) A person may be disciplined under subsection (1) to (3) if any of the following apply to the person:

¹ The authority of the "administrator," as defined in Section 102 of the Securities Act, MCL 451.2102(a), was transferred to the Department of Licensing and Regulatory Affairs by Executive Reorganization Order No. 2012-6. MCL 445.2034.

* * *

(g) The person is insolvent, either because the person's liabilities exceed the person's assets or because the person cannot meet the person's obligations as they mature. The administrator shall not enter an order against an applicant or registrant under this subdivision without a finding of insolvency as to the applicant or registrant.

MCL 451.2412(4).

The Bureau may not order a revocation under Section 412 unless, after Respondent has been given appropriate notice and an opportunity for hearing, findings of fact and conclusions of law have been made on the record pursuant to the APA. See MCL 451.2412(7).

WITNESS TESTIMONY

Petitioner offered the testimony of Stephen Scott, whom it has employed as a regulation officer for a little over three years. Mr. Scott testified that the Financial Industry Regulatory Authority (FINRA), a self-regulating authority for broker dealers and agents, maintains information about securities professionals in its depository (the Central Registration Database, or CRD) for the benefit of investment advisors and their representatives. According to Mr. Scott, securities professionals register with FINRA and are required to make certain disclosures to FINRA, which appear in the CRD. The witness explained that the Bureau regularly "sweeps" the CRD for new disclosures about registrants in Michigan and, for certain types of disclosures, assigns a regulation officer to further investigate. Mr. Scott testified that he was assigned to investigate Respondent's disclosure after one of the Bureau's monthly sweeps flagged an outstanding civil judgment against Respondent.

Mr. Scott testified that he attempted to contact Respondent in order to obtain more information, including a statement about the circumstances of the judgment and a balance sheet that would indicate the status of Respondent's finances. Mr. Scott indicated that he attempted to reach Respondent multiple times by email, phone, and letter through both Respondent's personal and his employment contact information, and that he believed those contacts were the same addresses later used by the Bureau to mail the Notice of Intent to Revoke. Sometime around June 2019, Mr. Scott testified, he was able to reach Respondent over the phone and this conversation was the only communication he had from Respondent. According to the witness, Respondent expressed awareness of the Bureau's attempts to reach him and of the nature of the information that the Bureau sought. Respondent was avoiding the correspondence because his financial situation "wasn't pretty," as the witness recalled. Although Respondent agreed to send a balance sheet to the Bureau, the information never came. Consequently, Mr. Scott concluded that,

as a result of Respondent's failure to follow-up, the contents of Respondent's conversation with him, and the presence of the outstanding judgment on Respondent's CRD record, Respondent was unable to pay his obligations as they matured. Moreover, Mr. Scott testified that he interpreted Respondent's statement during their phone call as an admission of insolvency.

FINDINGS OF FACT

Based on the entire record in this matter, including Respondent's default, the following findings of fact are established:

1. Michael Hanson (CRD #1494230, "Respondent") is an individual who resides in the State of California. Respondent is presently registered in Michigan as a securities agent through Allstate Financial Services, LLC ("Allstate," CRD #18272), a Michigan-registered broker-dealer.
2. The Corporations, Securities & Commercial Licensing Bureau (the "Bureau"), within the Michigan Department of Licensing and Regulatory Affairs, began an investigation of Respondent's activities in the securities industry after a routine review of disclosures on the Central Registration Depository (CRD) revealed that Respondent was the subject of a lien or civil judgment.
3. The Bureau made multiple attempts to contact Respondent at his personal and business addresses and those addresses were valid addresses for reaching Respondent.
4. The Bureau requested that Respondent provide a balance sheet detailing his solvency or lack thereof. Respondent and Allstate have failed to provide a balance sheet as of the date of this Order. However, based on the fact that Respondent is the subject of a civil judgment, there is adequate evidence to find that he is unable to pay his obligations as they mature and that he therefore is insolvent.

CONCLUSIONS OF LAW

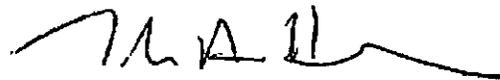
Respondent was properly served notice by mail at two addresses and he acknowledged to Petitioner's witness his receipt of the notices and requests for information. Under Section 78(2) of the APA, MCL 24.278(2) and Rule 134(1) of the Administrative Hearing Rules, R 792.10134(1), Respondent's failure to attend the scheduled hearing after being properly served notice allows for disposition based on default. When a party defaults, all well-pleaded facts are taken as true. Under Section 72 of the APA, there is no requirement to provide a full evidentiary hearing when all the alleged facts are taken as true. *Smith v Lansing School District*, 428 Mich 248; 406 N.W.2d 825 (1987).

Petitioner, the Bureau, has the burden of proving the allegations in the formal complaint by a preponderance of the evidence. Rule 806, Mich Admin Code 792.10806. Based upon the facts established through Respondent's default and the facts established by Petitioner on the record, Petitioner has proven the following by a preponderance of the evidence:

1. Respondent is insolvent because he cannot meet his obligations as they mature, as outlined under section 412(4)(g) of the Securities Act, MCL 451.2412(4)(g), 2008 PA 551, as amended.
2. Because Respondent cannot meet his obligations as they mature and because Respondent has apparently decided to not provide the Bureau with a balance sheet or further explanation of his outstanding obligations, Revocation of Respondent's securities agent registration is in the public interest. MCL 451.2412(2).
3. An order imposing sanctions against Respondent's securities agent registration to be determined by the Bureau, as authorized under section 412(2) of the Securities Act. MCL 451.2412(2)

PROPOSED DECISION AND RECOMMENDED SANCTIONS

This ALJ concurs in the assessment of the Department of Licensing and Regulatory Affairs (the "Department") that sanctions against Respondent's registration are appropriate, based on the facts established in the record. It is the proposed decision of the ALJ that the Administrator, the Department, issue an appropriate Final Order upholding the Notice of Intent to Revoke Securities Agent Registration.



Thomas A. Halick
Administrative Law Judge

EXCEPTIONS

The parties may file Exceptions to this Proposal for Decision within twenty-one (21) days after it is issued and entered. An opposing party may file a response within fourteen (14) days after initial Exceptions are filed. All Exceptions and Responses to Exceptions must be filed with the Michigan Office of Administrative Hearings and Rules, MOAHR-GA@michigan.gov, and served on all parties to the proceeding.

PROOF OF SERVICE

I certify that I served a copy of the foregoing document upon all parties and/or attorneys, to their last-known addresses in the manner specified below, this 7th day of May 2020.



R. Taylor
**Michigan Office of Administrative
Hearings and Rules**

Via Electronic Mail

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

In the matter of:

Agency No. 339977

MICHAEL HANSON
CRD# 1494230

Respondent.

This 18th day of September, 2019

Issued and entered

**NOTICE OF INTENT TO REVOKE, SUSPEND, CONDITION, OR LIMIT
SECURITIES AGENT REGISTRATION**

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. Michael Hanson (CRD#1494230, "Respondent") is an individual who resides in the State of California. Respondent is presently registered in Michigan as a securities agent through Allstate Financial Services, LLC ("Allstate", CRD#18272), a Michigan-registered broker-dealer.
2. The Corporations, Securities & Commercial Licensing Bureau ("the Bureau") within the Michigan Department of Licensing and Regulatory Affairs began an investigation of Respondent's activities in the securities industry after a routine review of disclosures on the Central Registration Depository ("CRD") revealed that Respondent was the subject of a lien or civil judgment.
3. The Bureau requested that Respondent provide a balance sheet detailing his solvency or lack thereof. Respondent and Allstate have failed to provide a balance sheet as of the date of this Order. However, based on the fact that Respondent is the subject of a civil judgment, there is adequate evidence to find that he is unable to pay his obligations as they mature. The Director of the Bureau, who is the Administrator of the Securities Act ("Administrator"), finds that Respondent cannot pay obligations as they mature, and is therefore insolvent.
4. The Administrator has reviewed materials regarding Respondent's financial condition as it relates to his registration as an agent under the Securities Act. The Administrator has determined that it is authorized, appropriate, and in the public interest to revoke, suspend, condition, or limit Respondent's securities agent registration.

5. Section 412(2) of the Securities Act, MCL 451.2412(2), states in relevant part:

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, 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...

6. Section 412(4) of the Securities Act, 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:

(g) The person is insolvent, either because the person's liabilities exceed the person's assets or because the person cannot meet the person's obligations as they mature. The administrator shall not enter an order against an applicant or registrant under this subdivision without a finding of insolvency as to the applicant or registrant...

7. 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.

8. The Administrator may revoke, suspend, condition, or limit Respondent's securities agent registration pursuant to section 412(2) of the Securities Act, MCL 451.2412(2), because it is in the public interest, and because Respondent is insolvent, giving the Administrator cause to issue an order under sections 412(2) and 412(4)(g) of the Securities Act, MCL 451.2412(2) and MCL 451.2412(4)(g).

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:

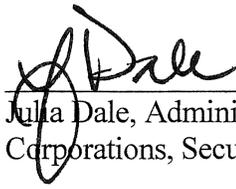
1. The Administrator intends TO REVOKE, SUSPEND, CONDITION, OR LIMIT THE SECURITIES AGENT REGISTRATION OF MICHAEL HANSON under section 412(2) of the Securities Act, MCL 451.2412(2), because he cannot pay obligations as they mature, causing him to be insolvent, which supports the revocation, suspension, conditioning, or limitation of his securities agent registration under the above-cited provisions of the Michigan Uniform Securities Act (2002), 2008 PA 551, MCL 451.2101 *et seq.*

2. 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, suspend, condition, or limit Respondent's securities agent 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 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
CORPORATIONS, SECURITIES & COMMERCIAL LICENSING BUREAU

By:



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

Date

9/18/19