

BEFORE THE IOWA INSURANCE COMMISSIONER

IN THE MATTER OF)	Division Case No. 92501
)	
BRUCE A. HAUPTMAN,)	ORDER AND
CRD# 824637,)	CONSENT TO ORDER
DOB 12/08/XXXX,)	
Respondent)	

NOW THEREFORE, upon motion of the Iowa Insurance Division (“Division”) and consent of Respondent Bruce A. Hauptman, pursuant to the provisions of Iowa Code Chapter 502—the Iowa Uniform Securities Act and Iowa Administrative Code Chapter 191—50 Regulation of Securities Offerings and Those Who Engage in the Securities Business, the Commissioner enters the following Consent Order (“Order”):

I. PARTIES AND JURISDICTION

1. The Commissioner of Insurance, Doug Ommen, directly and through his designees, administers and enforces Iowa Code Chapter 502—the Iowa Uniform Securities Act pursuant to Iowa Code § 502.601 as the Securities Administrator (“Administrator”).
2. Bruce A. Hauptman (“Respondent”) is an individual with a last-known mailing address of P.O. Box 1477, Wilson, WY 83014.
3. Respondent was registered as a securities agent in Iowa from at least July 7, 1989 until his relationship with his broker-dealer was voluntarily terminated on July 5, 1994. Respondent was registered under Central Registration Depository (“CRD”) number 824637.
4. Respondent is owner of B. Hauptman Holdings, LLC, (“Hauptman Holdings”) a limited liability company incorporated in Delaware with a registered agent address of 2711 Centerville Road, Suite 400, Wilmington, DE 19808. The Iowa Secretary of State does not contain any information on this entity.

5. From late 2009 to on or about October 23, 2015 Respondent engaged in acts and practices within the state of Iowa constituting cause for a cease and desist order; denial, revocation, suspension, withdrawal, restriction, condition, or limitation of Respondent's securities agent registration; and other relief under Iowa Code Chapter 502 and Iowa Administrative Code Chapter 50.

6. Pursuant to Iowa Code § 505.28, Respondent has consented to the jurisdiction of the commissioner of insurance by committing acts governed by chapter 502.

7. Respondent knowingly and voluntarily enters into this Order. Respondent denies the findings of fact found herein. Respondent denies that the promissory notes are considered securities within the definition of Iowa Code § 502.102(28).

II. FINDINGS OF FACT

8. Respondent became a registered securities agent in Iowa by submitting a Form U4 through the Legacy Central Registration Depository ("Legacy CRD") of the Financial Industry Regulatory Authority ("FINRA"). Respondent was assigned Individual CRD Number 824637. In applying for his securities agent registration, Respondent irrevocably appointed the Securities Administrator as his agent for service of process.

9. Respondent offered and sold securities within the State of Iowa from 2009 to 2010.

10. Respondent was friends with two potential investors, Consumers RJ and SJ, husband and wife.

11. Consumers RJ and SJ had limited financial experience.

12. During periodic, informal conversations with Consumer RJ, Respondent discussed Consumer RJ's existing investments with him and stated that his existing investment was an

“iffy proposition” and that Consumers RJ and SJ would receive better investment returns if they invested with Respondent.

13. Respondent asserted that Consumers RJ and SJ should invest with him and Respondent specifically mentioned investing in a company, MatrixView, Inc., that developed a compression software product.

14. Additionally, it was during these informal conversations that Respondent told Consumers RJ and SJ that the compression software product had been evaluated by the U.S. military and that the military intended to purchase the product.

15. Respondent presented this alleged investment opportunity to Consumers RJ and SJ, averring that this was a way for the Consumers to “get in at the ground floor” and obtain significant profits.

16. MatrixView, Inc., incorporated on May 16, 2008, is a Delaware corporation with its principal place of business in Fairfield, Iowa. Respondent is the President and Director of MatrixView, Inc. The Iowa Secretary of State’s office revoked MatrixView, Inc.’s certificate of authority effective August 8, 2014 for violations of Iowa Code § 490.1622.

17. After these conversations in 2009, Consumers RJ and SJ agreed to invest \$120,000.00 with Respondent.

18. Consumer RJ liquidated his investment with Genetic ID, from which he was receiving approximately a 25% return, in order to obtain funds to invest with Respondent. Consumer RJ incurred tax consequences and fees as a result of the liquidation.

19. Consumers RJ and SJ split their investment with the Respondent into two separate payments of \$60,000.00.

20. On December 29, 2009, Consumer RJ provided Respondent with the first investment payment of \$60,000.00.
21. On December 29, 2009, Consumers RJ and SJ entered into a promissory note with Respondent in the amount of \$60,000.00. The promissory note was to pay an interest rate of 7.5% per year, to be paid semiannually on June 30th and December 31st. The note had a three-year term.
22. As another term of the note, Consumers RJ and SJ also received an option to convert the note and receive interest in Hauptman Holdings.
23. On April 2, 2010, Consumers RJ and SJ provided Respondent with the second investment payment of \$60,000.00.
24. On April 2, 2010, Consumers RJ and SJ entered into a second promissory note with Respondent in the amount of \$60,000.00. The promissory note was to pay an interest rate of 7.5% per year, to be paid semiannually on October 2nd and April 2nd. The note had a three-year term.
25. Once again, as another term of the note, Consumers RJ and SJ received an option to convert the second promissory note and receive interest in Hauptman Holdings.
26. The securities were not registered with the Securities Bureau on the date of offer or sale, nor had any claim of exemption been filed for either of the note transactions.
27. Respondent did not consider the investors' investment objectives or their risk tolerance, nor did he make a suitability determination in 2009 or 2010 as to whether the notes would be an appropriate investment for Consumers RJ and SJ.
28. Consumers RJ and SJ did not receive any disclosure documents from Respondent regarding their investments.

29. Material information related to the sale was not disclosed to Consumers RJ and SJ, including but not limited to: the risks involved in the investment; that the promissory notes were not secured; that the investments had not been registered as securities; and that Respondent was not registered to sell securities in Iowa.
30. Respondent also failed to disclose the financial conditions of either himself or Hauptman Holdings and to provide any account statements detailing assets, liabilities, profits, losses, and other financial data which would have allowed Consumers RJ and SJ to assess the status of their investments and determine if they should continue their investments.
31. At the time of the first investment in 2009, Respondent had unpaid federal income tax liabilities totaling approximately \$13,000,000.00.
32. Consumers RJ and SJ have stated that they would not have invested with Respondent if they had known of Respondent's enormous tax liability.
33. Respondent used part of Consumers RJ and SJ's funds from the first investment to make a payment to American Express on January 4, 2010.
34. Respondent paid approximately \$16,663.00 in interest payments to Consumers RJ and SJ. These limited payments did not conform to the terms of the notes in terms of remittal dates or amount.
35. On or about January 12, 2012, Consumers RJ and SJ allowed Respondent to convert both notes to equity in Hauptman Holdings.
36. Consumers RJ and SJ were told by Respondent that the conversion would be a profitable investment, yielding an annual return of \$25,000.00.

37. Consumer SJ began communicating with Respondent around November of 2013 to relay the family's serious financial struggles and issues with Consumer RJ's health. Consumer SJ requested information regarding their investments and any forthcoming profits.
38. On multiple occasions, Consumers RJ and SJ requested that Respondent return their investment funds in order to assist them in meeting their pressing financial obligations.
39. On December 15, 2014, Consumer SJ emailed Respondent asking for investment statements detailing what investments were made each year, along with the corresponding losses, in order to reduce Consumer RJ and SJ's tax liabilities.
40. Only after Consumer SJ's statement that they needed official investment statements from Respondent to be used by their tax attorney did Respondent assert that the transaction was a loan converted into equity and "the entity does not have losses to pass through to its members."
41. In their previous communications with Respondent, Consumers RJ and SJ consistently used the term "investment" when referring to the money given to the Respondent. Respondent failed to correct or offer other terminology until he was asked for official investment statements to be given to Consumers RJ and SJ's attorney.
42. The Securities Bureau sent a letter to Respondent on March 2, 2015, ordering Respondent to produce records and provide a statement regarding the offer and sale of unregistered securities in Iowa including whether he claimed any exemptions from registering the securities. The letter also ordered Respondent to provide any claims and evidence of agent registration or exemption.
43. After receiving the letter from the Securities Bureau, Respondent emailed Consumer SJ demanding to know if their son had contacted the Division to file a complaint against the Respondent regarding the investment and stressing that if he had done so, the complaint only

complicated matters and would affect Respondent's ability to return Consumers RJ and SJ's investment.

44. Respondent responded by letter to the Securities Bureau on behalf of himself and Hauptman Holdings on April 14, 2015. In his response, Respondent asserted that he was unaware that the notes would be classified as securities and that this was merely a "mutually beneficial agreement between friends." Respondent did not claim any exemptions from registering the securities or from being registered as an agent. It was also in this response and in emails sent to Consumers RJ and SJ that Respondent stated that the investment would be returned to Consumers RJ and SJ.

45. Despite numerous requests over several months, Respondent failed to return the investment to Consumers RJ and SJ as promised.

III. CONCLUSIONS OF LAW

COUNT I

Unregistered Securities

46. Iowa Code § 502.301 prohibits any person from offering or selling a security in Iowa unless the security is a federal covered security; the security, transaction, or offer is exempted from registration; or the security is registered.

47. A "security" as defined in Iowa Code § 502.102(28) includes a note, debenture, evidence of indebtedness, or investment contract.

48. Under Iowa Code § 502.102(28)(d), a security includes "an investment in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor and a '*common enterprise*' means an enterprise in which the fortunes of the investor are interwoven with those of either the person offering the investment, a third party, or other investors." (See also Iowa Administrative Code 191—50.1).

49. Consumers RJ and SJ were motivated by the expectation of receiving profits when they entered into the transactions with Respondent. Respondent's statements that Consumers RJ and SJ would receive significant investment returns if they invested with Respondent and the discussions regarding the profitability of the compression software investment opportunity supported Consumers RJ and SJ's expectation of profits resulting from their investments.

50. Consumers RJ and SJ always considered the contributions investments and referred to them as such. They asked for official investment statements detailing the profits and losses, believed they could minimize their tax liability due to their investment losses, and expected to receive profits due to the efforts of the Respondent.

51. The promissory notes are securities within the meaning of Iowa Code § 502.102(28).

52. Respondent has not made any claim of exemptions from registration under Iowa Code §§ 502.201, 502.202, or 502.203.

53. Respondent has not made any claim that the securities are federally covered securities.

54. Respondent violated Iowa Code § 502.301 when he offered and sold notes, debentures, evidences of indebtedness, or investment contracts that were not federally covered securities, exempted from registration, or registered with the Securities Bureau.

55. Respondent's acts and practices have been in violation of Iowa Code § 502.301 subjecting Respondent to an order to cease and desist engaging in such acts and practices, the imposition of civil penalties, the recovery of costs of investigation, and an order of restitution pursuant to Iowa Code § 502.604.

COUNT II
Unregistered Agent

56. Iowa Code § 502.402(1) prohibits an individual from transacting business in Iowa as an agent unless the individual is a registered agent or is exempt under Iowa Code § 502.402(2).

57. Under Iowa Code § 502.402(3) an agent's registration is only effective while that agent is employed by or associated with a registered broker-dealer or an issuer that is offering, selling, or purchasing its securities in Iowa.

58. Respondent has not been registered as a securities agent with the Securities Bureau since 1994.

59. Respondent does not meet any of the registration exemptions found in Iowa Code § 502.402(2).

60. No individual associated with Hauptman Holdings, including Respondent, was registered as an agent with the Iowa Securities Bureau at the times of the offers or sales. Nor was Hauptman Holdings registered as a broker-dealer or an issuer with the Iowa Securities Bureau at the times of the offers or sales.

61. Respondent transacted business in Iowa as an agent by effectuating the sales of securities, but he was not registered as a securities agent during the relevant time periods.

62. Respondent's acts and practices have been in violation of Iowa Code § 502.402 subjecting Respondent to an order to cease and desist from engaging in such acts or practices, the imposition of a civil penalty, the recovery of costs of investigation, and an order for restitution pursuant to Iowa Code § 502.604.

COUNT III
Dishonest or Unethical Practices in Securities Business

63. Under Iowa Code § 502.412(4)(m), the Administrator may deny the application for registration; may limit the registration; may revoke, suspend, bar, condition, or limit the registration of a registrant; and may impose civil penalties if a person has "engaged in dishonest or unethical practices in the securities, commodities, investment, franchise, banking, finance, or insurance business within the previous ten years."

64. Under Iowa Administrative Code 191—50.16(1)(c)(2), dishonest or unethical business practices in the securities business includes a person recommending a transaction or investment strategy involving a security or securities without having a reasonable basis to believe that the transaction or investment strategy is suitable for the customer. The reasonable basis is based upon the information obtained through the reasonable diligence of the member or associated person to ascertain the customer's investment profile.

65. Under Iowa Administrative Code 191—50.16(1)(t), dishonest or unethical business practices in the securities business includes a person failing to furnish a customer, upon reasonable request, information to which the customer is entitled or failing to respond to a customer's written request or complaint.

66. Respondent misrepresented the amount of expected returns in order to induce Consumers RJ and SJ to switch from their existing investment to invest with Respondent. Respondent also misrepresented returns when he told Consumers RJ and SJ that the investment would yield an annual return of \$25,000.00 if they allowed Respondent to convert the options to equity in Hauptman Holdings.

67. Respondent acted dishonestly by converting part of Consumers RJ and SJ's investment funds for personal use to pay a credit card bill. Consumers RJ and SJ received no benefit by having the funds used in this manner.

68. Respondent recommended an investment strategy without having a reasonable basis to believe that the recommendation was suitable for Consumers RJ and SJ. Respondent did not ascertain the investment profile for Consumers RJ and SJ beyond merely stating that their existing investment was "iffy" and that Respondent could ensure better returns.

69. In December 2014, Consumers RJ and SJ asked Respondent for standard statements outlining the investments made as well as documents which described the corresponding investment losses. Respondent failed to provide such documentation.

70. Consumers RJ and SJ made repeated written requests for updates on their investment performance and then later, repeated requests for the entirety of the investment money to be returned, but Respondent failed to provide any account statements and failed to return the original investment despite assurances that he would refund Consumers RJ and SJ the entire amount.

71. Respondent also made statements to the Division that he would return the investment to Consumers RJ and SJ, but he has failed to do so.

72. Furthermore, Respondent demonstrated dishonest or unethical practices when he tried to intimidate Consumers RJ and SJ, after a complaint was made with the Division regarding Respondent's acts and practices, by asserting that his ability to repay Consumers RJ and SJ's investment would be hampered by an investigation.

73. Respondent's acts and practices have been in violation of Iowa Code § 502.412(4)(m) and Iowa Administrative Code 191—50.16, subjecting Respondent to denial, revocation, suspension, withdrawal, restriction, condition, or limitation of his securities agent registration, the imposition of a civil penalty, and an order requiring Respondent to cease and desist from engaging in such acts or practices, and an order for restitution pursuant to Iowa Code § 502.604.

COUNT IV
Omissions of Material Facts

74. Iowa Code § 502.501 prohibits a person from, directly or indirectly, omitting material facts necessary to conclude that the statements were not misleading in connection with the offer, sale, or purchase of a security.

75. In offer, sale, or purchase of a security, Respondent omitted material facts, including but not limited to, the following:

- a. Financial information and condition including accurate information regarding the assets, liabilities, profits, losses, cash flow, and other financial data of Hauptman Holdings and MatrixView, Inc.;
- b. Investment disclosure documents and other pertinent performance information;
- c. The scope of Consumer RJ and SJ's risks involved in the investment;
- d. That the promissory notes were not secured;
- e. That the investments were not registered as securities;
- f. That Respondent was not registered to sell securities in Iowa;
- g. That Consumers RJ and SJ should consult a financial adviser and/or an attorney to protect their interests regarding the investments; and
- h. That Respondent had significant unpaid federal income tax liabilities of approximately \$13,000,000.00.

76. These omissions of material facts, in light of the circumstances surrounding the sale of securities, is misleading.

77. Respondent's acts and practices have been in violation of Iowa Code § 502.501 subjecting Respondent to an order to cease and desist from engaging in such acts or practices, the imposition of a civil penalty, the recovery of costs of investigation, and an order for restitution pursuant to Iowa Code § 502.604.

IV. ORDER

WHEREFORE, IT IS ORDERED pursuant to the powers granted the Commissioner of Insurance by Iowa Code Chapter 502 and Iowa Administrative Code Chapter 191—50:

- A. Respondent is barred from applying for registration as a securities agent, investment adviser, or as an investment adviser representative in Iowa for a period of ten (10) years from the date of the Order;
- B. Respondent shall immediately cease and desist from offering or selling unregistered securities in this state;
- C. Respondent shall, within ninety (90) days of this Order, pay as restitution the amount of \$138,000.00, payable to order of the Iowa Insurance Division, to be credited to the Settlement Fund. The restitution amount represents the principal amount of the promissory notes plus two years of interest at the rate specified in the notes; and
- D. The Division will move to vacate this Order in its entirety and proceed to hearing if Respondent fails to remit the restitution payment of \$138,000.00 to the Division within ninety (90) days of the Order.

SO ORDERED on the 4th day of August, 2017.


DOUGLAS M. OMMEN
Iowa Insurance Commissioner

Respectfully submitted,


JOHANNA NAGEL
Compliance Attorney
Two Ruan Center
601 Locust St., 4th Floor
Des Moines, IA 50309
johanna.nagel@iid.iowa.gov
515.725.1255
Attorney for Iowa Insurance Division

Copy to:

Thomas Reavely
Whitfield & Eddy, PLC
699 Walnut St., Suite 2000
Des Moines, IA 50309
reavely@whitfieldlaw.com
Attorney for Respondent

CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing instrument was served upon all parties to the above cause, or their attorney, at their respective addresses disclosed on the pleadings on August 4, 2017

By: First Class Mail Personal Service
 Restricted certified mail, return receipt Email, by consent
 Certified mail, return receipt _____

Signature: Tammi L. Green
Tammi L. Green

NOTICE OF PENALTIES FOR WILLFUL VIOLATION OF THIS ORDER

YOU ARE NOTIFIED that acting as a securities agent, investment adviser, investment adviser representative, or broker-dealer, as defined in Iowa Code Chapter 502, in violation of this Order, is a felony under Iowa Code § 502.508, subjecting you to punishment of imprisonment, jail, fines, or any combination of custody and fines.

YOU ARE ALSO NOTIFIED that any person who violates this order may be subject to administrative and civil penalties pursuant to Iowa Code § 502.604. The commissioner may petition the district court to hold a hearing to enforce the order as certified by the commissioner. The district court may assess a civil penalty against the person in an amount not less than three thousand dollars but not greater than ten thousand dollars for each violation, and may issue further orders as it deems appropriate.

NOTICE REGARDING IMPACT OF ORDER ON EXISTING LICENSES

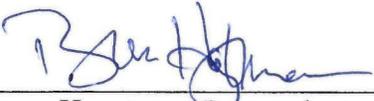
A final order of license revocation or a cease and desist order may adversely affect other existing business or professional licenses and result in license revocation or disciplinary action.

CONSENT TO ORDER AND AGREEMENT

I, Bruce Hauptman, Respondent in this matter, have read, understood, and do knowingly consent to this Order in its entirety. By executing this consent, I understand that I am waiving my rights to a hearing, to confront and cross-examine witnesses, to produce evidence, and to judicial review.

I further understand that this Order is considered a final administrative action that may be reported by the Division to the National Association of Insurance Commissioners and to other regulatory agencies. I also understand that this Order is a public record under Iowa Code Chapter 22, which will be disclosed to other state regulatory authorities, upon request, pursuant to Iowa Code section 505.8(8)(d). I also understand that this Order will be posted to the Division's web site and a notation will be made to the publicly available web site record that administrative action has been taken against Bruce Hauptman.

Dated: 7-21-17



Bruce Hauptman, Respondent

PO Box 1477 Wilson, WY 83014
Address of Signatory

Subscribed and sworn before me by Bruce Hauptman on this 21 day of July, 2017.

Karen M. Fox
Notary Public for the State of Iowa Wyoming

