STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING whether there has been a violation of the Securities Act of Washington by: Steven Vincent Hazard, Respondent.	Order Number S-11-0769-14-FO01 ENTRY OF FINDINGS OF FACT AND CONCLUSIONS OF LAW AND FINAL ORDER TO CEASE AND DESIST, DENY FUTURE REGISTRATIONS, IMPOSE FINES, AND CHARGE COSTS

INTRODUCTION

On July 28, 2014, the Securities Administrator of the State of Washington issued Statement of Charges and Notice of Intent to Issue an Order to Cease and Desist, Deny Future Registrations, Impose Fines, and Charge Costs, S-11-0769-14-SC01, ("Statement of Charges"), against the Respondent Steven Vincent Hazard. The Statement of Charges, together with a Notice of Opportunity to Defend and Opportunity for Hearing ("Notice of Opportunity for Hearing"), and an Application for Adjudicative Hearing ("Application for Hearing"), was served on the Respondent Steven Vincent Hazard on July 30, 2014.

The Notice of Opportunity for Hearing advised the Respondent that a written application for an administrative hearing on the Statement of Charges must be received within twenty days from the date of receipt of the notice. The Statement of Charges advised the Respondent that if a hearing was not requested, the Securities Administrator intends to adopt the "Tentative Findings of Fact" and "Conclusions of Law," as set forth in the Statement of Charges, as final, and enter a final order against the Respondent to cease and desist from violations of the Securities Act, to deny future securities registration applications, and to impose the fine and recover costs.

The Respondent Steven Vincent Hazard failed to request an administrative hearing within twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing, either on the Application for Hearing provided or otherwise. The Securities Administrator therefore will adopt as final the findings of fact and conclusions of law as set forth in the Statement of Charges and enter a final order against Steven Vincent Hazard to cease and desist from violations of the Securities Act, to deny future securities registration applications, and to impose the fine and recover costs.

FINDINGS OF FACT

Respondent

1. Steven Vincent Hazard ("Hazard") is a resident of Sequim, Washington. Hazard was employed with H.D. Vest Investment Services ("H.D. Vest") from June 1998 until August 2009. During this time, Hazard was registered as a securities salesperson with the Washington State Securities Division. Hazard conducted his securities business under the name Hazard, Incorporated, a Washington corporation formed on January 6, 2005. Hazard used the trade name S.V. Hazard Financial Center. Hazard is not currently registered with the Washington State Securities Division in any capacity. Hazard has a Central Registration Depository number of 2648419.

Other Regulatory Action

2. On January 9, 2012, the Financial Industry Regulatory Authority (FINRA) entered a default decision barring Hazard from associating with any FINRA registered firm in any capacity for borrowing

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money from customers, in violation of NASD Conduct Rules 2370 and 2110, and for failing to respond to requests for information, in violation of Conduct Rule 2010 and Procedural Rule 8210. FINRA also ordered Hazard to pay restitution in the amount of $47,500.

Nature of the Conduct

3. From approximately April 2006 through August 2009, Hazard engaged in multiple prohibited activities with respect to at least three of his brokerage customers at H.D. Vest. Between April 2007 and April 2008, Hazard borrowed a total of $410,000 from three customers, in order to purchase land and build a house in Sequim that he used as his personal residence. Hazard also used funds that he converted from a customer for this purpose. Hazard completed construction of the home in approximately 2009 and then sold it in December 2011, when he was facing potential foreclosure. Two of Hazard's clients are still owed a total of approximately $376,295.40 plus interest.

4. In addition to improperly borrowing funds from clients, Hazard also offered an investment off the books and records of his broker-dealer firm, executed a transaction on behalf of a customer without authorization, and forged a customer's signature. On August 28, 2009, Hazard was terminated from H.D. Vest after the firm discovered he accepted a personal loan from a customer. On or about the day of his termination, Hazard recommended that one of his customers liquidate their brokerage account and invest the proceeds with him in a "hot" investment fund. Hazard instead used the funds for his personal use while he was unemployed.

Customer A

5. Customer A is a resident of Sequim, Washington, who was a brokerage client of Hazard's from approximately March 2004 until March 2009.

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"Opus" Investment Account

6. In approximately April 2006, Hazard told Customer A about an investment account that he referred to as "Opus." Hazard told Customer A that Opus was an account "on the side" and represented that Customer A would make enough of a return that he could quit his job.

7. Customer A was interested and offered to write a check for $50,000 for this account. Hazard told Customer A to instead provide him with smaller amounts as needed. From April 2006 through June 2006, Customer A borrowed funds through a home equity line of credit ("HELOC") and made five $9,500 payments to Hazard, totaling $47,500. Hazard agreed that he would make the monthly payments on Customer A's HELOC.

8. Hazard deposited the $47,500 into his business bank account. Instead of investing the funds, Hazard used the funds for personal use including using the funds to purchase land and/or build his house. Hazard made monthly HELOC payments of approximately $150 for over a year, but then defaulted. Customer A was never repaid.

Loan to Hazard

9. In April 2007, Customer A loaned $20,000 to Hazard. Hazard told Customer A that he needed the funds as a down payment to purchase land. Under the terms of the loan, if Hazard repaid Customer A within 30 days, the loan would be interest free. If Hazard took longer than 30 days to repay the loan, he would pay Customer A interest at the current market rate. Hazard repaid Customer A approximately three months later, but failed to pay any interest on the loan. Hazard did not request permission from H.D. Vest to borrow money from a customer, nor did he subsequently disclose the loan to his firm.

Forged Signature

10. On February 14, 2008, Hazard visited Customer A at his home and told him that he owed approximately $75,000 in taxes. Hazard offered to sell Customer A part of his brokerage business for $75,000. As part of the agreement, Customer A would initially own a 25% interest in Hazard's brokerage business, which would later increase to 49% at the end of five years. The purchase of the business was contingent on Customer A passing the General Securities Representative Examination (Series 7). If Customer A did not pass the Series 7 examination, his $75,000 investment was to be converted into a loan with interest at the current market rate.

11. The day prior to the meeting, Hazard caused $75,000 to be transferred from Customer A's brokerage account to Customer A's bank account. This transfer was made without Customer A's knowledge or authorization. As part of this transfer, Hazard faxed a distribution request form to H.D. Vest which contained a forged signature for Customer A.

<u>Customer B</u>

12. Customer B is a resident of Sequim, Washington, who was a brokerage customer of Hazard's from approximately October 2004 until July 2009.

13. In June 2007, Hazard borrowed $100,000 from Customer B. Hazard represented to Customer B that he needed the money to build his house. Hazard instructed Customer B to obtain a cashier's check for the funds. Hazard provided Customer B with a one-year promissory note dated June 22, 2007 that had an interest rate of 12% per annum. The principal and interest were due to be paid on June 22, 2008.

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The note indicated that it was secured by the land that Hazard was building the house on. However, no security interest was ever recorded for this note.

14. A year later, Hazard executed a Promissory Note Extension dated June 22, 2008, in the amount of $112,000, reflecting the principal and interest owed on the original note. According to the extension, Customer B agreed to extend the promissory note maturity date until Hazard's house was completed, which was expected to be October 31, 2008. The terms of the original promissory note continued to apply, including the 12% per annum interest.

15. Hazard's house was not completed by the October 2008 date specified in the extension. When Hazard's house was eventually completed in 2009, Hazard defaulted on the note. Customer B never received any principal or interest payments from Hazard.

16. Hazard did not request permission from H.D. Vest to borrow money from a customer, nor did he subsequently disclose the loan to his firm.

<u>Customer C</u>

17. Customer C is a resident of Woodinville, Washington, who was previously employed with H.D. Vest as a tax professional between 1993 and 2006. After meeting Hazard at a monthly H.D. Vest meeting, Customer C became a brokerage customer of Hazard's from approximately August 2005 until August 2009.

Loans to Hazard

18. In April 2007, Customer C loaned Hazard $140,000. Hazard represented that he needed the funds to buy land. Hazard provided Customer C with a promissory note that he signed, dated April 6,

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2007, which had an interest rate of 7.5% per annum. According to the terms, monthly installments of $978.90 were due for the next 30 years.

19. A year later, in April 2008, Customer C made a second loan to Hazard in the amount of $150,000. Hazard represented that he needed the funds to construct a house on the land that he had purchased. Hazard executed a promissory note dated April 18, 2008, which stated that the consideration received by Customer C would depend on the assessed value of the house that Hazard was building. According to the note, Customer C would receive a percentage of the difference between the assessed value of the house and the total cost to build it. The note did not include a maturity date.

20. In approximately July 2008, Hazard defaulted on the first loan, after making payments to Customer C totaling approximately $13,704.60. Customer C never received any payments on the second loan to Hazard.

21. Hazard did not request permission from H.D. Vest to borrow funds from a customer, nor did he subsequently disclose the loans to his firm.

"Hot" Investment Fund / Post-Termination Trading Account

22. In August 2009, Hazard visited Customer C at his home and recommended that he liquidate his brokerage account. Hazard told Customer C that he knew of a "hot" investment fund that he could invest in instead. Hazard represented that he would manage this investment for Customer C. Based on Hazard's recommendation, Customer C agreed to liquidate the stocks in his account.

23. On August 28, 2009, Hazard was terminated by H.D. Vest. Just after 12:00 p.m. that day, Hazard electronically submitted orders to liquidate the five stocks in Customer C's account. Approximately two hours after the trade orders were submitted, H.D. Vest requested that Hazard's

access to the firm intranet be terminated, which would disable his ability to place brokerage orders. Although Hazard solicited the liquidations in Customer C's account, H.D. Vest trade confirmations show that these transactions were marked as "unsolicited" orders.

24. After the stocks were liquidated, Customer C withdrew his entire account balance, and received a check from H.D. Vest, dated September 3, 2009, in the amount of $86,792.08. The following day, Customer C purchased a cashier's check in that amount that was made payable to Hazard.

25. Hazard provided Customer C with a note, dated September 4, 2009, stating that "$86,792.08 is being advanced, as a demand note (loan), on this date for the purpose of establishing a trading account." According to the note, Hazard was to receive 75% of the profits in the trading account and Customer C would receive the remaining 25% of the profits. The note stated that Hazard would be allowed to draw funds from the account, and that withdrawals would be included in the total proceeds to Hazard.

26. Rather than use the funds for trading, Hazard instead used the funds for his personal living expenses during the time period that he was unemployed. Customer C was never repaid.

Based upon the above Findings of Fact, the following Conclusions of Law are made:

CONCLUSIONS OF LAW

1. Respondent Steven Vincent Hazard, as described above, engaged in one or more dishonest or unethical practices in the securities business, as defined by WAC 460-22B-090(1), by borrowing money from customers. This conduct is also a violation of FINRA Rule 3240, and is a dishonest or unethical practice as defined by WAC 460-22B-090(19). Such conduct is grounds for the denial of his future securities registration applications pursuant to RCW 21.20.110(1)(g).

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2. Respondent Steven Vincent Hazard, as described above, failed to comply with FINRA Rule 2010 (formerly known as NASD Rule 2110), Standards of Commercial Honor and Principals of Trade, by offering to a customer an account not recorded on the regular books and records of the broker-dealer which he represented. Such conduct is a dishonest or unethical practice as defined by WAC 460-22B-090(19), and is grounds for the denial of his future securities registration applications pursuant to RCW 21.20.110(1)(g).

3. Respondent Steven Vincent Hazard, as described above, engaged in one or more dishonest or unethical practices in the securities business, as defined by WAC 460-22B-090(8), by executing a transaction on behalf of a customer without authorization to do so. Such conduct is grounds for the denial of his future securities registration applications pursuant to RCW 21.20.110(1)(g).

4. Respondent Steven Vincent Hazard, as described above, engaged in one or more dishonest or unethical practices in the securities business, as defined by WAC 460-22B-090, by forging a customer's signature. Such conduct is grounds for the denial of his future securities registration applications pursuant to RCW 21.20.110(1)(g).

5. Respondent Steven Vincent Hazard, as described above, engaged in one or more dishonest or unethical practices in the securities business, as defined by WAC 460-22B-090(18), by marking an order ticket or confirmation as unsolicited when in fact the transaction was solicited. Such practice is grounds for the denial of his future securities registration applications pursuant to RCW 21.20.110(1)(g).

6. Respondent Steven Vincent Hazard, as described above, engaged in one or more dishonest or unethical practices in the securities business, as defined by WAC 460-22B-090, by converting funds

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from a customer. Such practice is grounds for the denial of his future securities salesperson registration applications pursuant to RCW 21.20.110(1)(g).

7. The stocks that Customer C sold due to Hazard's recommendation, as described above, constitute securities, as defined in RCW 21.20.005(17).

8. In connection with the sale of said securities, Steven Vincent Hazard violated RCW 21.20.010 because he employed a scheme to defraud a customer; made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and engaged in an act, practice, or course of business that operated as a fraud or deceit upon a customer.

FINAL ORDER

Based upon the foregoing and finding it in the public interest:

IT IS HEREBY ORDERED that the Respondent Steven Vincent Hazard shall cease and desist from violation of RCW 21.20.010, the anti-fraud section of the Securities Act of Washington.

IT IS FURTHER ORDERED that any future securities registration applications of the Respondent Steven Vincent Hazard as an investment adviser, broker-dealer, investment adviser representative, or securities salesperson shall be denied.

IT IS FURTHER ORDERED that the Respondent Steven Vincent Hazard shall be liable for and shall pay a fine of $30,000.

IT IS FURTHER ORDERED that the Respondent Steven Vincent Hazard shall be liable for and shall pay investigative costs of $5,000.

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AUTHORITY AND PROCEDURE

This Final Order is entered pursuant to the provisions of RCW 21.20.110 and RCW 21.20.390, and is subject to the provisions of RCW 21.20.440 and RCW 34.05. The Respondent has the right to petition the superior court for judicial review of this agency action under the provisions of RCW 34.05. For the requirements for filing a Petition for Judicial Review, see RCW 34.05.510 and sections following. Pursuant to RCW 21.20.395, a certified copy of this order may be filed in Superior Court. If so filed, the clerk shall treat the order in the same manner as a Superior Court judgment as to the fine, and the fine may be recorded, enforced, or satisfied in like manner.

DATED AND ENTERED this _1st__ day of October, 2014.

By:

William M. Beatty
Securities Administrator

Approved by:

Suzanne Sarason
Chief of Enforcement

Reviewed by:

Robert Kondrat
Financial Legal Examiner Supervisor

Presented by:

Bridgett Fisher

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