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**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-SC01

STATEMENT OF CHARGES AND
NOTICE OF INTENT TO ISSUE AN
ORDER TO CEASE AND DESIST, DENY
FUTURE REGISTRATIONS, IMPOSE
FINES, AND CHARGE COSTS

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THE STATE OF WASHINGTON TO:

Steven Vincent Hazard (CRD No. 2648419)

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STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondent Steven Vincent Hazard has violated the Securities Act of Washington and has engaged in dishonest and unethical practices in the securities business, and that this justifies the entry of an order to cease and desist from such violations pursuant to RCW 21.20.390, to deny future securities registration applications pursuant to RCW 21.20.110(1), to impose fines pursuant to RCW 21.20.110(1), and to recover costs pursuant to RCW 21.20.390.

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TENTATIVE FINDINGS OF FACT

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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,

1 Hazard was registered as a securities salesperson with the Washington State Securities Division. Hazard
2 conducted his securities business under the name Hazard, Incorporated, a Washington corporation
3 formed on January 6, 2005. Hazard used the trade name S.V. Hazard Financial Center. Hazard is not
4 currently registered with the Washington State Securities Division in any capacity. Hazard has a Central
5 Registration Depository number of 2648419.

6 Other Regulatory Action

7 2. On January 9, 2012, the Financial Industry Regulatory Authority (FINRA) entered a default
8 decision barring Hazard from associating with any FINRA registered firm in any capacity for borrowing
9 money from customers, in violation of NASD Conduct Rules 2370 and 2110, and for failing to respond
10 to requests for information, in violation of Conduct Rule 2010 and Procedural Rule 8210. FINRA also
11 ordered Hazard to pay restitution in the amount of \$47,500.

12 Nature of the Conduct

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

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

6 Customer A

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

9 *"Opus" Investment Account*

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

13 7. Customer A was interested and offered to write a check for \$50,000 for this account. Hazard told
14 Customer A to instead provide him with smaller amounts as needed. From April 2006 through June
15 2006, Customer A borrowed funds through a home equity line of credit ("HELOC") and made five
16 \$9,500 payments to Hazard, totaling \$47,500. Hazard agreed that he would make the monthly payments
17 on Customer A's HELOC.

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

1 *Loan to Hazard*

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

8
9 *Forged Signature*

10 10. On February 14, 2008, Hazard visited Customer A at his home and told him that he owed
11 approximately \$75,000 in taxes. Hazard offered to sell Customer A part of his brokerage business for
12 \$75,000. As part of the agreement, Customer A would initially own a 25% interest in Hazard's
13 brokerage business, which would later increase to 49% at the end of five years. The purchase of the
14 business was contingent on Customer A passing the General Securities Representative Examination
15 (Series 7). If Customer A did not pass the Series 7 examination, his \$75,000 investment was to be
16 converted into a loan with interest at the current market rate.

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

1 Customer B

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

4 13. In June 2007, Hazard borrowed \$100,000 from Customer B. Hazard represented to Customer B
5 that he needed the money to build his house. Hazard instructed Customer B to obtain a cashier's check
6 for the funds. Hazard provided Customer B with a one-year promissory note dated June 22, 2007 that
7 had an interest rate of 12% per annum. The principal and interest were due to be paid on June 22, 2008.
8 The note indicated that it was secured by the land that Hazard was building the house on. However, no
9 security interest was ever recorded for this note.

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

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

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

1 Customer C

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

6 *Loans to Hazard*

7 18. In April 2007, Customer C loaned Hazard \$140,000. Hazard represented that he needed the
8 funds to buy land. Hazard provided Customer C with a promissory note that he signed, dated April 6,
9 2007, which had an interest rate of 7.5% per annum. According to the terms, monthly installments of
10 \$978.90 were due for the next 30 years.

11 19. A year later, in April 2008, Customer C made a second loan to Hazard in the amount of
12 \$150,000. Hazard represented that he needed the funds to construct a house on the land that he had
13 purchased. Hazard executed a promissory note dated April 18, 2008, which stated that the consideration
14 received by Customer C would depend on the assessed value of the house that Hazard was building.
15 According to the note, Customer C would receive a percentage of the difference between the assessed
16 value of the house and the total cost to build it. The note did not include a maturity date.

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

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

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“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.

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

2 **CONCLUSIONS OF LAW**

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

8 2. Respondent Steven Vincent Hazard, as described above, failed to comply with FINRA Rule 2010
9 (formerly known as NASD Rule 2110), Standards of Commercial Honor and Principals of Trade, by
10 offering to a customer an account not recorded on the regular books and records of the broker-dealer
11 which he represented. Such conduct is a dishonest or unethical practice as defined by WAC 460-22B-
12 090(19), and is grounds for the denial of his future securities registration applications pursuant to RCW
13 21.20.110(1)(g).

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

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

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

5 6. Respondent Steven Vincent Hazard, as described above, engaged in one or more dishonest or
6 unethical practices in the securities business, as defined by WAC 460-22B-090, by converting funds
7 from a customer. Such practice is grounds for the denial of his future securities salesperson registration
8 applications pursuant to RCW 21.20.110(1)(g).

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

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

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17 **NOTICE OF INTENT TO ISSUE AN ORDER TO CEASE AND DESIST**

18 Pursuant to RCW 21.20.390(1), and based upon the above Tentative Findings of Fact and
19 Conclusions of Law, the Securities Administrator intends to order that the Respondent Steven Vincent
20 Hazard shall cease and desist from violation of RCW 21.20.010.

1 **NOTICE OF INTENT TO DENY FUTURE REGISTRATIONS**

2 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and
3 Conclusions of Law, the Securities Administrator intends to order that any future securities registration
4 applications of the Respondent Steven Vincent Hazard as an investment adviser, broker-dealer,
5 investment adviser representative, or securities salesperson shall be denied.

6 **NOTICE OF INTENT TO IMPOSE FINES**

7 Pursuant to RCW 21.20.110(1), and based upon the above Tentative Findings of Fact and
8 Conclusions of Law, the Securities Administrator intends to order that the Respondent Steven Vincent
9 Hazard shall be liable for and pay a fine of \$30,000.

10 **NOTICE OF INTENT TO CHARGE COSTS**

11 Pursuant to RCW 21.20.390, and based upon the above Tentative Findings of Fact and
12 Conclusions of Law, the Securities Administrator intends to order that the Respondent Steven Vincent
13 Hazard shall be liable for and shall pay the Securities Division the costs, fees and other expenses incurred
14 in the conduct of the investigation of this matter in an amount not less than \$5,000.

15 **AUTHORITY AND PROCEDURE**

16 This Statement of Charges is entered pursuant to the provisions of Chapter 21.20 RCW and is
17 subject to the provisions of RCW 34.05. The Respondent may make a written request for a hearing as set
18 forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING
19 accompanying this Statement of Charges.

20 If the Respondent does not request a hearing, the Securities Administrator intends to adopt the
21 above Tentative Findings of Fact and Conclusions of Law as final, enter a permanent cease and desist
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1 order as to the Respondent, enter a permanent order to deny future securities registration applications, and
2 impose the fines and costs sought.


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4 DATED AND ENTERED this 28th day of July, 2014.

5 By:

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8 _____
9 William M. Beatty
10 Securities Administrator

11 Approved by:

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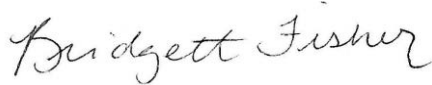
13 _____
14 Suzanne Sarason
15 Chief of Enforcement

16 Reviewed by:

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18 _____
19 Robert Kondrat
20 Financial Legal Examiner Supervisor

21 Presented by:

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23 _____
24 Bridgett Fisher
Financial Legal Examiner