



Notice of Hearing

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1. That the Respondent, Hardy, was an Illinois registered Salesperson from January 19, 2001 through June 9, 2005 for SunAmerica Securities, an Illinois registered Dealer, and an NASD Member firm, pursuant to Section 8 of the Illinois Securities Law 815 ILCS 5/1 et seq. (the "Act").
2. Hardy Asset Management is a state registered Investment Adviser in the State of Arizona but is not registered in Illinois.
3. SA and JA, a married couple residing in Illinois and clients of Hardy and Hardy Asset Management, were solicited by Hardy to purchase bonds purportedly issued by Weingarten Realty Investments, PNC, Deutsche Bank, Goldman Sachs, Ford Motor Corporation and Honeywell International for \$60,000. Hardy directed them to write a check for the amount of \$60,000 payable to Hardy Asset Management dated November 13, 2002.
4. Shortly after their investment, SA and JA received a Customer Report that purportedly showed their portfolio holdings and current value.
5. In June 2003, SA and JA were solicited by Hardy to invest \$20,000 in Internotes purportedly issued by CIT Group, Daimler Chrysler and GE Capital Corporation. Hardy directed them to write a check for the amount \$20,000 payable to Hardy Asset Management dated June 3, 2003.
6. Subsequently, SA and JA received from Hardy on Hardy Asset Management letterhead a statement dated June 27, 2003 purportedly disclosing and confirming their purchase of the above-described Internotes.
7. In October of 2003, Hardy sent to SA and JA documents that purportedly disclosed information regarding the maturity date, interest rate, yield and credit ratings of the Internotes that Hardy stated he purchased on behalf of SA and JA.
8. In August of 2003, Hardy solicited SA and JA to invest \$45,000 in a Net Bank CD, GMAC Internote and Federal National Mortgage Bond. As before, Hardy directed SA and JA to write a check for the amount of \$45,000 payable to Hardy Asset Management dated August 7, 2003.

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9. Soon after their investment, SA and JA received from Hardy on Hardy Asset Management letterhead statements dated August 21, 2003 purportedly disclosing and confirming the purchase of the Net Bank CD, GMAC Internote and Federal National Mortgage Bond.
10. After the above described transactions, SA and JA continued to receive from Hardy and Hardy Asset Management periodic statements that showed the value of their investments including a statement dated October 29, 2004 on Hardy Asset Management which purportedly reported their portfolio holdings and value.
11. In June 2005, SA and JA received a letter on Hardy Asset Management letterhead from Hardy which stated that Hardy had resigned his position as a salesperson with SunAmerica Securities; that Hardy had been arrested by the Tempe, AZ Police Department; and that Hardy had thousands of dollars in debt and unresolved tax issues.
12. Alarmed by the letter, SA and JA contacted SunAmerica Securities and were advised that the firm could not document the \$125,000 total investment they had made and that they concluded that the money had been diverted by Hardy for his own personal gain.
13. MZ, an 81 year old Illinois resident client of Hardy and Hardy Asset Management, was solicited by Hardy to purchase a five year Capital Bank private Certificate of Deposit Annuity with a 4.83% interest rate for \$20,000.
14. Hardy directed MZ to write a check out to Hardy Asset Management for \$20,000 on March 29, 2004.
15. After making his initial deposit, MZ, approximately 4-8 weeks later, received a statement on Hardy Asset Management letterhead purportedly showing the purchase of the Capital Bank Private Certificate of Deposit Annuity.
16. For the next year, MZ received routine correspondence from Hardy and Hardy Asset Management regarding investments in general and was asked frequently by Hardy to recommend that MZ's family and friends invest with Hardy.
17. In June 2005, MZ received a letter on Hardy Asset Management letterhead from Hardy which stated that Hardy had resigned his position as a salesperson with SunAmerica

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Securities; that Hardy had been arrested by Tempe, AZ Police Department; and that Hardy had thousands of dollars in debt and unresolved tax issues.

18. MZ contacted SunAmerica Securities and was advised that the firm could not document the \$20,000 investment. The Tempe, AZ Police Department advised MZ that his \$20,000 was not invested in a Certificate of Deposit Annuity but rather was spent by Hardy for his personal gain.
19. In November 2003, EB, an 84 year old Illinois resident and a client of Hardy and Hardy Asset Management, was solicited by Hardy to invest \$25,000 in a Hardy Asset Management Annuity. EB was directed by Hardy to write a check for the amount of \$25,000 made payable to Hardy Asset Management dated November 5, 2003.
20. In January 2004, EB was solicited by Hardy to purchase a second Hardy Asset Management Annuity in the amount of \$20,000. EB was again directed by Hardy to write a check for the amount of \$20,000 made payable to Hardy Asset Management dated January 14, 2004.
21. In May 2004, EB was solicited by Hardy to purchase a Certificate of Deposit in the amount of \$34,516 that was purportedly issued by Hardy Asset Management. EB was directed by Hardy to write a check for the amount of \$34,516 to Hardy Asset Management dated May 5, 2004.
22. Subsequently EB was also solicited by Hardy on November 9, 2004 and December 16, 2004 to invest \$40,000 in two investments of undisclosed natures. EB was directed by Hardy to write both checks for the amount of \$20,000 dated November 9, 2004 and December 16, 2004
23. In June 2005, MZ received a letter on Hardy Asset Management letterhead from Hardy which stated that Hardy had resigned his position as a salesperson with SunAmerica Securities; that Hardy had been arrested by Tempe, AZ Police Department; and that Hardy had thousands of dollars in debt and unresolved tax issues.
24. The Tempe, AZ Police Department advised EB that her funds were not invested in any Annuity or Certificate of Deposit but rather were spent by Hardy for his personal gain.

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property through the sale of securities by means of any untrue statement of a material fact or any omission 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.

27. Section 12.H of the Act provides, inter alia, that it shall be a violation of the Act to sign or circulate any statement, prospectus, or other paper or document required by any provision of the Act or pertaining to any security knowing or having reasonable grounds to know any material representation therein contained to be false or untrue.
28. Section 12.I of the Act provides, inter alia, that it shall be a violation of the Act to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.
29. Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsection F, G, H or I of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State.
30. Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act.
31. By virtue of the foregoing, the Respondent is subject to a fine of up to \$ 10,000.00 per violation and an order which permanently prohibits the Respondent from offering or selling securities in the State of Illinois.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer, special appearance or other responsive pleading to the allegations outlined above within thirty days of the receipt of this notice. A failure to file an answer, special appearance or other responsive pleading within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

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25. Section 8.E.1(b) of the Act provides, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a salesperson may be suspended or revoked if the Secretary of State finds that the salesperson has engaged in any unethical practice in the offer or sale of securities or in any fraudulent business practice.
26. Section 8.E.1(m) of the Act provides, inter alia, that subject to the provisions of subsection F of Section 11 of the Act, the registration of a salesperson may be suspended or revoked if the Secretary of State finds that the salesperson has conducted a continuing course of dealing of such nature as to demonstrate an inability to properly conduct the business of the salesperson.
27. That Section 8.E.1 of the Act provides, inter alia, that if no proceeding is pending or initiated or instituted and withdrawal automatically becomes effective, the Secretary of State may nevertheless institute a revocation or suspension proceeding within 2 years after withdrawal became effective and enter a revocation or suspension order as of the last date on which registration was effective.
28. By virtue of the foregoing, the Respondent is subject to the entry of an Order which revokes his salesperson registrations in the State of Illinois pursuant to the authority provided under Sections 8.E.1(b) and (m) of the Act.

Count II (Sections 12.F, G, H, and I)

- 1-24. Paragraphs 1-24 of Count I are re-alleged and incorporated as Paragraphs 1-24 of this Count II.
25. Section 12.F of the Act provides, inter alia, that it shall be a violation of the Act to engage in any transaction, practice, or course of business in connection with the sale or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
26. Section 12.G of the Act provides, inter alia, that it shall be a violation of the Act to obtain money or

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Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any respondent has upon due notice moved for and obtained a continuance.

A copy of the Rules, promulgated under the Act and pertaining to hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

Delivery of notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated this 17<sup>th</sup> day of April, 2006.

  
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JESSE WHITE  
Secretary of State  
State of Illinois

Attorney for the Secretary of State  
David Finnigan  
Illinois Securities Department  
300 W. Jefferson Street, 300A  
Springfield, Illinois 62704  
Telephone: (217) 785-4947

Hearing Officer:  
Jon K. Ellis  
Attorney at Law  
1035 South 2<sup>nd</sup> St.  
Springfield, Ill 62704  
Telephone: (217) 528-6835