

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF: KEN E. STEARNS and)
SCOTT M. SALBECK, and)
ARMARED DRAGON, INC, and) No. 1300329
their partners, officers and directors,)
managers, agents, employees,)
affiliates, successors and assigns.)

NOTICE OF HEARING

TO RESPONDENTS: KEN E. STEARNS
2326 LYNWOOD STREET
MORRIS, ILLINOIS 60450

And

SCOTT M. SALBECK
6348 NEWARK AVENUE
CHICAGO, ILLINOIS 60631

And

ARMARED DRAGON, INC.
2326 LYNWOOD STREET
MORRIS, ILLINOIS 60450

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act") and 14 Ill. Adm. Code 130, subpart K, a public hearing will be held at 69 West Washington Street, Suite 1220, Chicago, Illinois 60602, on the 7th day of January 2014 at the hour of 10:00 a.m. or as soon thereafter as possible before James Kopecky, Esq. or such other designated Hearing Officer as the Secretary of State may appoint.

Said hearing will be held to determine whether a permanent Order shall be entered prohibiting Respondents **Ken E. Stearns, Scott M. Salbeck, and Armared Dragon, Inc.** and their partners, officers and directors, agents and employees, affiliates, successors and assigns from offering or selling securities in or from the State of Illinois and/or granting such other relief as may be authorized under the Act, including but not limited to, the imposition of a monetary fine in the maximum amount pursuant to Sec. 11.E(4) of the Act, payable within ten (10) days of the Order.

The grounds for such proposed action are as follows:

Notice of Hearing

2

1. Respondent Ken E. Stearns (at times hereinafter "KS" or together with Scott M. Salbeck and Armored Dragon, Inc. "Respondents") has a last known address of 2326 Lynwood Street, Morris, Illinois 60450.
2. Respondent Scott M. Salbeck (at times hereinafter "SS" or together with KS and Armored Dragon, Inc. "Respondents") has a last known address of 6348 Newark Avenue, Chicago, Illinois 60631.
3. Respondent Armared Dragon, Inc (at times hereinafter "AD" or together with KS and SS "Respondents") was an Illinois corporation, dissolved in 2012, with a last known address of 2326 Lynwood Street, Morris, Illinois 60450.
4. At all relevant times herein Respondent KS was the president and a controlling agent of AD.
5. In July 2010 Respondents solicited an Illinois resident ("Investor #1") to purchase a promissory note in the amount of \$50,000.
6. On July 30, 2010 Investor #1 paid Respondents \$50,000, which Respondents promised Investor #1 would be further invested into instruments Respondents described as "medium-term notes", which would provide "millions of dollars" in investment returns to investors.
7. In September 2011 Respondents solicited a second Illinois resident ("Investor #2") to purchase a promissory note in the amount of \$50,000.
8. On September 9, 2011 Investor #2 paid Respondents \$50,000, which Respondents promised Investor #2 would be further invested into instruments Respondents described as "medium-term notes", which would provide "millions of dollars" in investment returns to investors.
9. Both Investor #1 and Investor #2 wire transferred their respective \$50,000 investments into Respondents' Chase bank account.
10. Respondents' activities described in paragraphs 5-9 involved the offer and sale of a note or an investment contract as those terms are defined in Sections 2.1, 2.5 and 2.5a of the Illinois Securities Law of 1953 [815 ILCS 5] (the "Act").

FAILURE TO REGISTER SECURITIES

11. Section 5 of the Act provides, *inter alia*, that "all securities except those set forth under Section 2a of this Act...or those exempt...shall be registered...prior to their offer or sale in this State.
12. Respondents failed to file an application with the Secretary of State to register the investment contract as required by the Act, and as a result the investment contract was not registered as such prior to their or sale in the State of Illinois.

Notice of Hearing

3

13. Section 12.A of the Act provides, *inter alia*, that it shall be a violation of the Act to offer or sell any security except in accordance with the provisions of the Act.
14. Section 12.D of the Act provides, *inter alia*, that it shall be a violation of the Act to fail to file with the Secretary of State any application, report or document required to be filed under the provisions of this Act or any rule or regulation made by the Secretary of State pursuant to the Act or to fail to comply with the terms of any order of the Secretary of State issued pursuant to Section 11 hereof.
15. By virtue of the foregoing, Respondents violated Sections 12.A and 12.D of the Act.

FRAUD INVESTOR #1

16. Respondents failed to use the \$50,000 invested by Investor #1 to invest in "medium-term notes" or in any enterprise on behalf of Investor #1 which would, or might, provide "millions of dollars" in investment returns.
17. Respondents failed to repay the \$50,000 to Investor #1.
18. Respondents, instead of investing the money as promised, converted the principal received from Investor #1 to Respondents' own personal and business use and benefit.
19. Respondents, at the time of the agreement, failed and refused to notify Investor #1 that the principal would be converted to their own benefit rather than used to further invest for the benefit of Investor #1.

FRAUD INVESTOR #2

20. Respondents failed to use the \$50,000 invested by Investor #2 to invest in "medium-term notes" or in any enterprise on behalf of Investor #2 which would, or might, provide "millions of dollars" in investment returns.
21. Respondents failed to repay the \$50,000 to Investor #2.
22. Respondents, instead of investing the money as promised, converted the principal received from Investor #2 to Respondents' own personal and business use and benefit.
23. Respondents, at the time of the agreement, failed and refused to notify Investor #2 that the principal would be converted to their own benefit rather than used to further invest for the benefit of Investor #2.
24. Section 12.F of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "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".

Notice of Hearing

4

25. Section 12.G of the Act provides, *inter alia*, that it shall be a violation of the Act for any person to obtain money or 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.
26. Section 12.I of the Act provides, *inter alia*, that it shall be a violation of the Act for any person, "to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly".
27. By virtue of the foregoing, Respondents violated Sections 12.F, 12.G and 12.I of the Act.

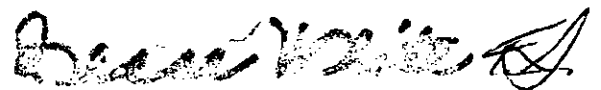
You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

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.

The Rules promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department may be viewed online at <http://www.cyberdriveillinois.com/departments/securities/lawrules.html>.

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

Dated: This 5th day of November, 2014.



JESSE WHITE
Secretary of State
State of Illinois

James J. Tierney
Attorney
Illinois Securities Department
69 W. Washington, Suite 1220
Chicago, Illinois 60602
Telephone: (312) 793-9650