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SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT ("Agreement") is entered into as of
6/17/13 by and between the California Department of Corporations
("Department") through the California Commissioner of Corporations ("Commissioner"), on
the one hand, and Hayes and Associates Accountancy Corporation ("Hayes and Associates")
on the other hand (hereinafter collectively the "Parties").

RECITALS

This Agreement is made with reference to the following facts:

A. Hayes and Associates is a corporation in good standing, duly formed and existing
pursuant to the laws of the State of California, and authorized to conduct business in this State.
Hayes and Associates has its principal place of business located at 1001 B Avenue, Suite 211,
Coronado, California 92118.

B. Charles W. Hayes ("Charles Hayes") is, and was at all relevant times herein the
sole proprietor and president of Hayes and Associates. Charles Hayes is authorized to enter into
this Agreement on behalf of Hayes and Associates.

C. Hayes and Associates has operated as an investment adviser registered with
the Securities and Exchange Commission ("SEC") since 1998. However, as a result of the
modifications in the Investment Advisers Act of 1940 adopted as part of the Dodd Frank
Wall Street Reform and Consumer Protection Act of 2011, Hayes and Associates was
required to terminate its SEC registration and re-register as an investment adviser with the
Department. On August 27, 2012, Hayes and Associates filed an ADV-W form, effectively
terminating its registration with the SEC but it did not file a new Form ADV to re-register as
an investment adviser with the Department until November 20, 2012. During that time,
Hayes and Associates continued to service its investment advisory clients.

D. Hayes and Associates voluntarily came forward and disclosed to the Commissioner
that it has continued to conduct its investment advisory activities after it withdrew its SEC
registration, and has responded fully to all of the Commissioner's requests for information regarding

1 its investment advisory business. The Commissioner has determined that the public interest will not
2 be served by denying Hayes and Associates' application to register as an investment adviser.

3 E. It is the intention and desire of the Parties to resolve this matter without the
4 necessity of a hearing and/or other litigation.

5 NOW, THEREFORE, for good and valuable consideration, and the terms and conditions
6 set forth herein, the Parties agree as follows:

7 **TERMS AND CONDITIONS**

8 1. **Purpose.** The purpose of this Agreement is to settle and resolve the matters
9 between the Parties hereto, for judicial economy and expediency, and to avoid the expense of a
10 hearing, and possible further court proceedings.

11 2. **Waiver of Hearing Rights.** Hayes and Associates acknowledges its right to a
12 hearing under the Corporate Securities Law of 1968 in connection with the application for an
13 investment adviser certificate and hereby waives that right to a hearing, and to any
14 reconsideration, appeal, or other right to review which may be afforded pursuant to the
15 Corporate Securities Law of 1968, the California Administrative Procedure Act, the California
16 Code of Civil Procedure, or any other provision of law, and by waiving such rights, consents to
17 the Penalties becoming final.

18 3. **Acknowledgement.** Hayes and Associates acknowledges that following the
19 withdrawal of its registration as an investment adviser with the SEC on August 27, 2012, it
20 did not timely file the Form ADV for re-registration with the Department. Although the
21 delay was neither willful nor intentional, Hayes and Associates acknowledges that such
22 delay was inconsistent with the provisions of Corporations Code section 25230. The
23 acknowledgment of Hayes and Associates is for the purposes of this and any other future
24 proceedings that may be initiated by or brought before the Department. The Parties agree that
25 this Agreement and any acknowledgements hereunder shall not be admissible or binding against
26 Hayes and Associates in any action(s) brought against Hayes and Associates by third parties that
27 are not signatories to this Agreement.
28

1 4. **Certification.** Hayes and Associates stipulates to undertake all appropriate steps
2 designed to assure full compliance with the laws of California in the conduct of its business. Hayes
3 and Associates acknowledges that failure to comply under this Agreement shall be a breach of this
4 Agreement and shall be cause for the Commissioner to immediately revoke any licenses held by,
5 and/or deny any pending application(s) of Hayes and Associates, its successors and assigns, by
6 whatever names they might be known. Hayes and Associates hereby waives any notice and
7 hearing rights to contest such revocations and/or denial(s) which may be afforded under the
8 Corporate Securities Law of 1968, the California Administrative Procedure Act, the California Code
9 of Civil Procedure, or any other provision of law in connection therewith.

10 5. **Administrative Penalties.** Hayes and Associates agrees to pay to the
11 Commissioner penalties totaling, TEN THOUSAND DOLLARS (\$10,000) (“Penalties”). Such
12 Penalties shall be made by Hayes and Associates within 14 days of the execution of this Agreement.
13 The check shall be made payable to “The Department of Corporations,” and shall be sent by Hayes
14 and Associates to the following address:

15
16 **Marlou de Luna, Esq.**
17 **Senior Corporations Counsel**
18 **Department of Corporations**
19 **320 W. 4th Street, Suite 750**
20 **Los Angeles, CA 90013**

21 In the event the payment due date falls on a weekend or holiday, the payment shall be due the
22 next business day. Hayes and Associates acknowledges that failure to timely pay the Penalties this
23 Agreement shall be a breach of this Agreement and shall be cause for the Commissioner to
24 immediately revoke any licenses held by, and/or deny any pending application(s) of Hayes and
25 Associates, its successors and assigns, by whatever names they might be known. Hayes and
26 Associates hereby waives any notice and hearing rights to contest such revocations and/or
27 denial(s) which may be afforded under the Corporate Securities Law of 1968, the California
28 Administrative Procedure Act, the California Code of Civil Procedure, or any other provision of law
in connection therewith.

1 6. **Future Actions by the Commissioner.** The Commissioner reserves the right to
2 bring any future action(s) against Hayes and Associates or any of the officers, directors,
3 shareholders, or employees of Hayes and Associates for any and all unknown or future violations
4 of the Corporate Securities Act of 1968. This Agreement shall not serve to exculpate Hayes and
5 Associates or any of the officers, directors, shareholders, or employees of Hayes and Associates
6 from liability for any and all unknown or future violations of the Corporate Securities Act of
7 1968.

8 7. **Effective Date.** This Agreement shall not become effective until signed, and
9 delivered by all parties.

10 8. **Settlement Agreement Coverage.** The Parties hereby acknowledge and agree that
11 this Agreement is intended to constitute a full, final, and complete resolution of this matter.
12 The Parties further acknowledge and agree that nothing contained in this Agreement shall operate to
13 limit the Commissioner's ability to assist any other agency, county, state or federal, with any
14 prosecution, administrative, civil or criminal, brought by any such agency against Hayes and
15 Associates based upon any of the activities alleged in this matter or otherwise.

16 9. **Independent Legal Advice.** Each of the Parties represents, warrants, and agrees
17 that it has received or been advised to seek independent legal advice from its attorneys with
18 respect to the advisability of executing this Agreement.

19 10. **No Other Representation.** Each of the parties represents, warrants, and agrees that
20 in executing this Agreement it has relied solely on the statements set forth herein and the advice of
21 its own counsel. Each of the parties further represents, warrants, and agrees that in executing
22 this Agreement it has placed no reliance on any statement, representation, or promise of any
23 other party, or any other person or entity not expressly set forth herein, or upon the failure of any
24 party or any other person or entity to make any statement, representation or disclosure of
25 anything whatsoever. The parties have included this clause: (1) to preclude any claim that any
26 party was in any way fraudulently induced to execute this Agreement; and (2) to preclude the
27 introduction of parol evidence to vary, interpret, supplement, or contradict the terms of this
28 Agreement.

1 11. **Modifications and Qualified Integration.** No amendment, change or
2 modification of this Agreement shall be valid or binding to any extent unless it is in writing
3 and signed by all of the parties affected by it.

4 12. **Full Integration.** This Agreement is the final written expression and the
5 complete and exclusive statement of all the agreements, conditions, promises, representations,
6 and covenants between the parties with respect to the subject matter hereof, and supersedes all
7 discussions between and among the parties, their respective representatives, and any other
8 person or entity, with respect to the subject matter covered hereby.

9 13. **No Presumption From Drafting.** In that the parties have had the opportunity to
10 draft, review and edit the language of this Agreement, no presumption for or against any party
11 arising out of drafting all or any part of this Agreement will be applied in any action
12 relating to, connected to, or involving this Agreement. Accordingly, the parties waive the
13 benefit of Civil Code section 1654 and any successor or amended statute, providing that in
14 cases of uncertainty, language of a contract should be interpreted most strongly against the party
15 who caused the uncertainty to exist.

16 14. **Counterparts.** This Agreement may be executed in any number of counter-
17 parts by the Parties, and when each party has signed and delivered at least one such counterpart
18 to the other party, each counterpart shall be deemed an original and taken together shall
19 constitute one and the same Agreement.

20 15. **Headings and Governing Law.** The headings to the paragraphs of this Agreement
21 are inserted for convenience only and will not be deemed a part hereof or affect the
22 construction or interpretation of the provisions hereof. This Agreement shall be
23 construed and enforced in accordance with, and governed by, the laws of the State of
24 California.

25 16. **Authority For Settlement.** Each party warrants and represents that such party is
26 fully entitled and duly authorized to enter into and deliver this Agreement. In particular, and
27 without limiting the generality of the foregoing, each party warrants and represents that it is
28 fully entitled to enter into the covenants, and undertake the obligations set forth herein.

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17. **Public Record.** Hayes and Associates hereby acknowledges that this Agreement will be a matter of public record.

18. **Voluntary Agreement.** The Parties each represent and acknowledge that he, she or it is executing this Agreement completely voluntarily and without any duress or undue influence of any kind from any source.

IN WITNESS WHEREOF, the Parties hereto have approved and executed this Agreement on the dates set forth opposite their respective signatures.

JAN LYNN OWEN
California Corporations Commissioner

Dated: 6/25/13

By _____
JEREMIAH C. TWOMEY
Deputy Commissioner

Dated: 6/17/13

HAYES AND ASSOCIATES ADVISORS, INC.

By _____
CHARLES HAYES
President

APPROVED AS TO FORM:

Dated: 6/27/13

Marlou de Luna
Sr. Corporations Counsel

Dated: 6/20/13

Charles Field
Attorneys for HAYES AND ASSOCIATES
ACCOUNTANCY CORPORATION