

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2009016347901**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Donnelly Penman & Partners Inc.
(CRD No. 104448)

and
Charles Kirk Haggarty
Registered Principal
(CRD No. 2407023)

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Donnelly Penman & Partners Inc., and Charles Kirk Haggarty (hereinafter collectively referred to as "Respondents") submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Donnelly Penman & Partners ("Donnelly Penman" or "Firm") became registered with FINRA, and the Securities and Exchange Commission (SEC) on January 5, 2001. During the relevant time period, the Firm conducted a general securities business on a fully disclosed basis. Currently, the Firm limits its business activities to private placements, investment banking activities and investment advisory services, and does not have retail accounts or a relationship with a clearing firm. Donnelly Penman's registrations with FINRA and the SEC remain currently in effect. On May 19, 2008, the Firm was censured and fined \$17,500 by FINRA for: failing to conduct and evidence an independent test of its AML

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program, in violation of NASD Rules 2110, 3011 and IM-3011-1; improperly holding customer funds in violation of the Customer Protection Rules, in violation of SEC Rule 15c3-3 and NASD Rule 2110; failing to abide by its Membership Agreement and to file a request to change its Membership Agreement in violation of NASD Rules 1017 and 2110; and failing to maintain a checks received and disbursed blotter, in violation of SEC Rule 17a-3 and NASD Rules 2110 and 3110(a).

Charles Kirk Haggarty ("Haggarty") entered the securities industry on October 27, 1993 as a General Securities Representative of a former FINRA registered firm. On May 13, 1997, Haggarty became registered as a General Securities Principal of a former FINRA registered firm. On January 5, 2001, Haggarty became registered in such capacities with Donnelly Penman, as well as being registered as a Financial and Operations Principal of the Firm. From September 15, 2000, to July 1, 2007, Haggarty was a Senior Vice-President, Chief Financial Officer and Chief Compliance Officer of Donnelly Penman. From July 1, 2007 to March 23, 2009, Haggarty was the President and Managing Director of Donnelly Penman. Haggarty's registrations with Donnelly Penman were terminated on March 23, 2009. He is not registered with any other FINRA registered firm, and he has no history of disciplinary action by FINRA.

OVERVIEW

In May 2008, Donnelly Penman was sanctioned for, among other things, failing to conduct an independent test of the Firm's Anti-Money Laundering Program ("AML Program"). Despite being sanctioned, Donnelly Penman, acting through Haggarty, failed to conduct and evidence an independent test of the Firm's AML Program during 2007 and 2008, in violation of NASD Conduct Rules 2110, 3011 and IM-3011-1 and FINRA Rule 2010. For 2007 and 2008, Donnelly Penman also failed to prepare an annual report to senior management regarding its supervisory control procedures, in violation of NASD Rules 2110, 3012(a)(1), and after December 15, 2008, FINRA Rule 2010. Similarly, in 2008, Donnelly Penman failed to maintain an executed certification that the Firm had processes in place to establish, maintain, review, test, and modify written compliance with applicable NASD Rules, in violation of NASD Rules 2110, 3013(b), and IM-3013, and after December 15, 2008, FINRA Rules 2010 and 3130(b) and (c).

FACTS AND VIOLATIVE CONDUCT

Failure to Conduct and Evidence an Independent Test of the AML Program Against Donnelly Penman, and Haggarty.

1. NASD Conduct Rule 3011, which became effective on April 24, 2002, required FINRA registered firms to develop and implement a written

AML program reasonably designed to achieve and monitor compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. §5311, *et seq.*, and the regulations promulgated thereunder. NASD Conduct Rule 3011(c) requires that registered firms have independent testing for compliance with the AML Rules on an annual basis or every two years depending on the firm's business. NASD issued Notice to Members 02-21 in April 2002 to notify NASD members of this requirement. NASD reiterated this requirement in subsequent Notices to Members 02-47 (August 2002), 02-50 (August 2002), 02-78 (November 2002), 02-80 (December 2002), and 03-34 (June 2003).

2. In May 2008, Donnelly Penman was sanctioned by FINRA through a Letter of Acceptance, Waiver and Consent for, among other things, failing to conduct an independent test of the Firm's AML Program from January 1, 2006 through May 1, 2007. The Letter of Acceptance, Waiver and Consent was signed by Haggarty.
3. Despite the requirement that Donnelly Penman monitor compliance with the requirements of the Bank Secrecy Act, 31 U.S.C. §5311, *et seq.*, and the regulations promulgated thereunder, and despite the previous regulatory action against Donnelly Penman in 2008 as described above, Donnelly Penman, acting through Haggarty, again continued to fail to conduct and evidence an independent test of its AML Program for the calendar years 2007 and 2008.
4. Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2110, 3011 and IM-3011-1, and FINRA Rule 2010 by Donnelly Penman and Haggarty.

Failure to Prepare an Annual Report to Senior Management Regarding Supervisory Control Procedures for 2007 and 2008 by Donnelly Penman.

5. NASD Rule 3012(a)(1), which became effective on January 31, 2005, required FINRA registered firms to designate a principal or principals, who must submit to the firm's senior management at least annually, a report detailing: each member's system of supervisory controls; a summary of the results of tests to determine whether the firm's supervisory procedures are reasonably designed, with respect to the activities of the Firm and its registered representatives and associated persons, to achieve compliance with applicable securities laws, regulations and applicable Rules; and significant identified exceptions and any additional or amended supervisory procedures created in response to the test results.
6. Donnelly Penman failed to create the report that was required by NASD Rule 3012(a)(1) for the calendar years 2007 and 2008.

7. Such acts, practices, and conduct constitute separate and distinct violations of NASD Rules 2110, 3012(a)(1), and after December 15, 2008, FINRA Rule 2010 by Donnelly Penman.

Failure to Prepare an Annual CEO Certification of Compliance and Supervisory Process in 2008 by Donnelly Penman.

8. NASD Rule 3013 and IM-3013, which became effective on October 14, 2005 and was renamed FINRA Rule 3130 on December 15, 2008, required each registered firm to have its chief executive officer ("CEO") certify annually that: the firm has processes in place to establish, maintain, review, test and modify written compliance policies and supervision procedures which are reasonably designed to achieve compliance with applicable FINRA rules, MSRB rules and federal securities laws and regulations; and that the CEO has conducted one or more meetings with the chief compliance officer in the preceding 12 months to discuss such processes.
9. Donnelly Penman failed to prepare and execute a CEO certification of its written supervisory procedures for calendar year 2008.
10. Such acts, practices, and conduct constitute separate and distinct violations of NASD Rules 2110, 3013(b), and IM-3013, and after December 15, 2008, FINRA Rules 2010 and 3130(b) and (c) by Donnelly Penman.

B. Respondents also consent to the imposition of the following sanctions:

1. Censures and a \$10,000 fine, jointly and severally against Donnelly Penman and Haggarty; and
2. An additional \$10,000 fine against Donnelly Penman.

Respondents agree to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondents have submitted Election of Payment forms showing the method by which they propose to pay the fines imposed.

Respondents specifically and voluntarily waive any right to claim that they are unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against them;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondents specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondents further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondents understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against them; and
- C. If accepted:
1. *this AWC will become part of Respondents permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondents;*
 2. *this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Respondent's disciplinary record;*
 3. *FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and*
 4. *Respondents may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondents may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondents' right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.*
- D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

Respondents have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; and that Respondents have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Respondents to submit it.

Donnelly Penman & Partners Inc.

Sept. 10, 2010
Date

By
Its

John C. Donnelly
John C. Donnelly
President

Date

Charles Kirk Haggarty
Registered Principal

Reviewed by:

Counsel for Respondents

Accepted by FINRA:

10/20/10
Date

Signed on behalf of the
Director of ODA, by delegated authority

Richard S. Schultz
Richard S. Schultz
Senior Regional Counsel
FINRA Department of Enforcement
55 West Monroe Street, Suite 2700
Chicago, Illinois 60603-5052
(312)899-4334

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Donnelly Penman & Partners Inc.

Date

By

Its

9/17/10

Date

C. Kirk Haggarty

Charles Kirk Haggarty
Registered Principal

Reviewed by:

Counsel for Respondents

Accepted by FINRA:

10/20/10

Date

Signed on behalf of the
Director of ODA, by delegated authority

Richard S. Schultz

Richard S. Schultz
Senior Regional Counsel
FINRA Department of Enforcement
55 West Monroe Street, Suite 2700
Chicago, Illinois 60603-5052
(312)899-4334

STATEMENT OF CORRECTIVE ACTION

This Statement is submitted by Respondent Donnelly Penman & Partners, Inc. It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

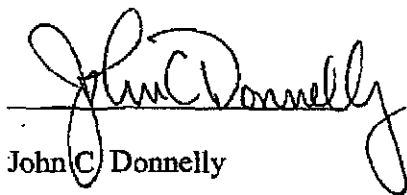
Donnelly Penman & Partners Inc. ("DPP") submits this Statement of Corrective Action in conjunction with the Letter of Acceptance, Waiver and Consent ("AWC"). DPP has taken the following steps and corrective actions.

In March 2009, DPP named Mark Cleland to become its Chief Compliance Officer. Mr. Cleland has implemented numerous changes and improvements to DPP's compliance policies and procedures. Mr. Cleland's changes included revisions that specifically addressed the three deficiencies identified in the AWC.

With respect to the failure to conduct anti-money laundry ("AML") testing, DPP no longer has customer accounts or receives customer funds. Nonetheless, DPP conducted AML testing in 2009. FINRA examiners reviewed DPP's 2009 AML testing and did not indicate that there were any deficiencies in the testing. Additionally, DPP has already conducted its AML testing for 2010.

As to the failure to prepare an annual report, DPP prepared such a report for 2009. That report was reviewed by FINRA examiners, who did not indicate that there was any deficiency with DPP's 2009 annual report. Additionally, DPP has prepared its annual report for 2010.

As to the failure to prepare a CEO certification of compliance, DPP prepared such a certification for 2009. FINRA examiners reviewed the 2009 certification and did not indicate that there was any deficiency with the certification. Further, DPP has prepared its CEO certification of compliance for 2010.

A handwritten signature in black ink, appearing to read "John C. Donnelly", is written over a horizontal line.

John C. Donnelly

President