

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010024522105**

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

RE: HFP Capital Markets LLC, Respondent
BD No. 44351

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent HFP Capital Markets LLC ("Respondent" or "HFP") submits 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, 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

HFP became a FINRA member firm on September 4, 1998. At the time, the firm was known as AM Capital LLC ("AM Capital"). In or about December 2008, HFP's parent company, Hudson Financial Partners, LLC, purchased AM Capital. AM Capital thereafter changed its name to HFP on December 1, 2008. At the time of the events at issue in this case, HFP operated from a single office in New York, New York and was engaged in multiple business lines including investment banking and the private placement of securities.

On February 10, 2014, HFP filed with FINRA a Uniform Request for Broker-Dealer Withdrawal ("Form BDW") requesting termination of its broker-dealer registration and FINRA membership. On May 6, 2014, HFP's FINRA membership was terminated.

Although HFP is no longer a FINRA member firm, HFP remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article IV, Section 6 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

On April 9, 2012, in connection with Case No. 2009019320201, FINRA issued an AWC wherein HFP consented to the entry of findings that the firm violated FINRA Rule 2010 by causing another broker-dealer to violate Regulation S-P. HFP encouraged and helped registered representatives to give nonpublic confidential information belonging to over one thousand customers of another broker-dealer to HFP without proper notice to the customers and without affording the customers a reasonable opportunity to opt out of the disclosure. HFP was censured and fined \$65,000.

OVERVIEW

This matter concerns HFP's actions as investment banker and placement agent for an issuer known as Metals, Milling and Mining LLC ("MMM"). Between December 2009 and February 2011, HFP caused the fraudulent sale of approximately \$3 million worth of certain MMM Senior Secured Zero Coupon Notes (the "Notes" or the "MMM Notes"). The firm sold the private offering of the MMM notes to 59 customers. In offering and selling MMM notes, HFP misrepresented and omitted to disclose material facts about the offering. More specifically, HFP and persons at the firm misrepresented that the Notes were collateralized by certain barrels of leftover mining materials (or "ore concentrate") and that the collateral had value adequate to secure an investment in the MMM Notes. In fact, the ore concentrate was nearly worthless. HFP also omitted to disclose to investors material facts about how the offering proceeds were to be used and about the ownership and management of MMM. HFP failed to disclose to purchasers of the MMM notes that a senior officer for HFP was an indirect owner of the issuer. HFP's former Managing Partner Vincent J. Puma (CRD No. 2358356) had primary responsibility for causing HFP's participation in the MMM offering.¹

The principals in MMM disbursed the investors' funds to a variety of persons and entities. MMM never succeeded on its purported business goal of extracting precious metals from ore concentrate and its efforts have been abandoned. While three customers received money back after lodging complaints with the firm through so-called "replacement transactions," the remaining customers lost their entire investment of \$2.98 million. To date, they have not been repaid.

HFP acted knowingly in misrepresenting and omitting to disclose the foregoing material facts, in willful violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and in violation of FINRA Rules 2020 and 2010.

¹ Puma was barred from associating in any and all capacities with a member firm as a result of his failure to appear for on-the-record testimony in FINRA's investigation of MMM.

In addition, HFP failed to conduct adequate due diligence on the MMM offering. The MMM offering and the business plan for the company itself presented significant red flags. For example, the investment promised to pay a 100 percent return on investment within one year. Additionally, while the MMM Notes stated that they were collateralized, there was, in fact, no evidence that the issuer had sufficient assets to collateralize the investment. While HFP conducted some cursory due diligence, the firm failed to fully investigate the issuer and found little evidence that MMM was or would become a going concern. Nevertheless, HFP acted as investment banker for the MMM notes and its sales force recommended and sold MMM notes to its customers without a reasonable basis to do so. As a result, the firm violated NASD Conduct Rule 2310 and FINRA Rule 2010.

HFP also failed to reasonably supervise the sales of MMM Notes. The firm failed to follow its procedures that required private placement offerings, such as the MMM Offering, to be presented to and approved by the firm's Investment Committee, which according to the firm's procedures was responsible for reviewing and approving the firm's involvement in investment banking transactions. HFP knew, or should have known, that its brokers were selling MMM notes, without the Investment Committee's approval and despite the substantial number of red flags surrounding the offering. HFP took inadequate steps to vet the offering and to prevent the sales of the MMM notes. As a result of the foregoing, HFP violated NASD Conduct Rule 3010 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

HFP's Introduction to RG

In the Fall of 2009, HFP, through its former Managing Partner, Vincent Puma, learned of the "opportunity" to work on a deal with RG, a Colorado resident. RG told HFP that he had expertise in mining, precious metals and related matters. RG presented to HFP plans to raise capital for a business venture whereby RG, who purportedly owned hundreds of 55-gallon barrels of ore concentrate, would use a process known as "plasmafication" to extract quantities of precious and valuable metals from the ore concentrate. RG gave HFP assays, which are compositional tests of metal or ore to determine its ingredients and quality. These assays purported to show that RG's ore contained quantities of various precious metals.

Shortly after the initial meetings with RG, Puma met with members of HFP's Investment Committee to discuss the possibility of HFP's involvement as investment banker and placement agent for a deal with RG. The firm's procedures required the Investment Committee to approve any such deal. As a result, HFP sent two of its investment bankers to Colorado to conduct due diligence on RG's business idea. Several red flags existed. For example:

- RG did not show the HFP investment bankers any evidence of technology that would be used for "plasmafication" nor did he show that any working technology existed.

- RG introduced the HFP investment bankers to a potential strategic partner who would be involved in processing the ore. That person did not have any credentials to suggest that he had expertise in metallurgy or engineering. Rather, he claimed to have a Doctorate in Nutrition. Additionally, he appeared to use an alias for email communication and did not appear to have an office.

HFP pressed forward with its involvement in the deal despite the red flags and without conducting reasonable background checks on RG or the business. Had HFP done a background check on RG, the firm would have learned that he had significant financial difficulties and was subject to numerous liens and judgments, including a 2007 federal tax lien in the amount of \$57,118.

In addition, HFP relied on the assays provided by RG, rather than taking steps to verify that either the laboratories that conducted RG's assays or the assays themselves were legitimate and reliable. HFP did not secure any independent assays or consult with reputable experts in metallurgy or any other related expertise to ascertain the viability of RG's proposals. HFP also failed to take steps to ensure that the assays RG presented were for RG's purported ore or that RG even owned any ore. Had HFP conducted a reasonable investigation at the time, it would have learned the assays were false.

Further, the firm failed to conduct any due diligence on third parties that were put forward as critical strategic partners for the business. Had the firm conducted due diligence at the time it was considering engagement as investment banker, it would have learned that two persons associated with one of the third parties had been subject to securities fraud actions and that the third party had misrepresented information concerning that entity's capacity to assist in the proposed business deal.

Despite the inadequate investigation into RG and his business proposal, and the red flags presented by the transaction, HFP nonetheless moved forward with its involvement with RG. Indeed, Puma worked with RG to set up the corporate entity for MMM, and Puma established another entity through which he personally became a 20 per cent owner in MMM. The proposed deal never went to HFP's Investment Committee and the firm failed to fully vet its involvement with MMM. Nevertheless, Puma signed an Engagement Agreement on behalf of HFP for the firm to provide investment banking services to the company and act as placement agent on a private offering of \$2 million in MMM Notes.

*HFP Structures the MMM Transaction
and Continues to Ignore Red Flags*

HFP, acting at the direction of Puma, assisted MMM in structuring its capital raise by creating a debt security that was reflected in two different documents: the Note and an accompanying Repurchase Agreement. The initial raise was for \$2

million and was later increased to \$3 million. Pursuant to the terms of the Notes, the investors who loaned money to MMM would receive repayment of principal owed upon the Note's maturity in one year from the date of the Note (which depended on the date of the customers' investments). The Notes did not contain any provision for interest payments to investors. The Notes, however, provided that MMM agreed to grant to the Noteholders, title to five, and later eight, barrels or approximately 5,000 pounds of ore concentrate.

Thus, the Notes provided that barrels of ore would serve as collateral for the MMM notes. Pursuant to the terms of the Repurchase Agreements between MMM and each of the holders of the Notes, MMM agreed to repurchase barrels of ore one year from the date of the Repurchase Agreement. Thus, the Notes provided for the return of investors' principal in one year, and MMM's "repurchase" of the collateral provided for the 100 percent profit to investors in the MMM Notes.

For example, if an investor purchased a \$25,000 MMM Note, at the time of his/her purchase, that investor was supposed to receive a pro rata share of ownership with other investors in the barrels of ore designated as collateral. Pursuant to the terms of the Note, the investor was then to receive a return of his \$25,000 principal investment within one year from the date of the Note. Pursuant to the terms of the Repurchase Agreement, within one year, MMM agreed to repurchase the collateral owned by the investor and the investor would receive an additional \$25,000 as a one year return for his/her investment in the \$25,000 MMM Note. However, there was no reasonable basis for a determination that five barrels of ore was adequate collateral for the initial \$2 million offering. In any event, ownership of the barrels of ore was never transferred to investors as provided for in the MMM Notes. Indeed, the ore was nearly worthless.

HFP and MMM created limited offering and marketing materials for the sale of MMM Notes. There was no private placement memorandum, offering circular or term sheet for the sale of MMM Notes. Rather, in addition to the Note and Repurchase Agreement, the only other offering documents were a Subscription Agreement and Purchaser Questionnaire (collectively, the "Transaction Documents"). The Transaction Documents failed to identify the owners of MMM by name and did not contain any background information concerning the owners. Puma's indirect ownership in the issuer was not disclosed.

This fact would have been material to potential investors in MMM because Puma's ownership stake represented a conflict of interest with HFP's role in recommending the MMM Notes to its customers.

Further, the Subscription Agreement did not disclose that RG intended to take a loan from the offering proceeds. In fact, RG was paid \$272,000 from the proceeds. This payment was apparently a loan from MMM to RG as reflected in a December 16, 2009 promissory note. This loan presented an obvious conflict

and a “red flag” where offering proceeds were being used for RG’s own purposes rather than furthering MMM’s purported business plan.

*HFP Recommends the MMM Notes without a Reasonable Basis
to do so and Makes Material Misrepresentations
and Omissions to Purchasers*

HFP’s retail sales force began to offer the MMM Notes to customers in December 2009. The firm marketed the MMM Notes despite failing to investigate significant red flags, failing to ensure that its procedures for vetting investment banking deals were followed, failing to disclose Puma’s conflict of interest as an indirect owner of the issuer, and failing to determine that there was a reasonable basis for any person to invest in the offering. HFP misrepresented that the MMM Notes were backed by the barrels of ore concentrate that served as adequate collateral to secure a potential investment in the offering. The misrepresentations to investors that the MMM Notes were collateralized by barrels of ore concentrate and that such collateral was adequate to secure investments in MMM Notes were material because they incorrectly suggested to customers that even if MMM was not successful in processing ore, the risks in investing in MMM were mitigated by the purported value of the collateral.

Further, HFP failed to disclose verbally any of the material facts about: (i) the use of offering proceeds, and (ii) the ownership and management of MMM that were omitted from the Transaction Documents. Rather, HFP made material omissions to customers in connection with selling the Notes.

In total, from December 2009 to February 2011, HFP sold a total of \$2.98 million worth of MMM Notes to 59 different investors in 78 separate transactions.

By reason of the foregoing, HFP willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and also violated FINRA Rules 2020 and 2010. Additionally, the Respondent violated NASD Rule 3010 and 2010 in connection with its failure to reasonably supervise the MMM deal and violated NASD Rule 2310 and FINRA Rule 2010 for failing to satisfy its obligation to have a reasonable basis to recommend that investment in the MMM notes were suitable for any customer to invest in them.

B. Respondent also consents to the imposition of the following sanctions:

- HFP shall be expelled from FINRA membership:
- Restitution is ordered to be paid by HFP to the customers listed on Attachment A hereto in the total amount of \$2,980,000, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of each customer’s investment, until the date this AWC is accepted by the NAC.

A representative on behalf of Respondent firm shall submit satisfactory proof of payment of restitution or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted to Frank M. Weber, Senior Regional Counsel, 200 Liberty Street, New York, New York 10281 either by letter that identifies the Respondent and the case number or by e-mail from a work-related account of the representative of Respondent firm to EnforcementNotice@FINRA.org. This proof shall be provided to the FINRA staff member listed above no later than 120 days after acceptance of the AWC.

If for any reason Respondent cannot locate any customer identified in Attachment A after reasonable and documented efforts within 120 days from the date the AWC is accepted, or such additional period agreed to by a FINRA staff member in writing, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property or abandoned property fund for the state in which the customer is last known to have resided. Respondent shall provide satisfactory proof of such action to the FINRA staff member identified above and in the manner described above, within 14 days of forwarding the undistributed restitution and interest to the appropriate state authority.

Respondent has specifically and voluntarily waived any right to claim an inability to pay at any time hereafter the monetary sanctions imposed in this matter.

The imposition of a restitution order or any other monetary sanction herein, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

Respondent understands that if it is expelled from FINRA membership, it becomes subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(e), a bar or expulsion shall become effective upon approval or acceptance of this AWC.

Respondent understands that this settlement includes a finding that it willfully violated Section 10(b) of the Securities Exchange Act of 1934, Rule 10b-5 thereunder, and that under Article III, Section 4 of FINRA's By-Laws, this makes the firm subject to a statutory disqualification with respect to membership.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Respondent;
- 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, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the Chief Legal Officer, 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.

Respondent further specifically and voluntarily waives 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

Respondent understands that:

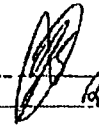
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;

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. Respondent 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. Respondent 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 Respondent's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Respondent has 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 Respondent to submit it.

06/11/2014
Date (mm/dd/yyyy)

HFP Capital Markets LLC

By: 
Its: Representative



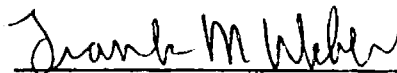
Nathan W. Lamb, Esq.
Counsel for Respondent

Accepted by FINRA:

June 25, 2014

Date

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

A handwritten signature in black ink, appearing to read "Frank M. Weber", is written over a horizontal line.

**Frank M. Weber
Senior Regional Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street
New York, New York 10281
Phone: (212) 858-4324/Fax: (212) 858-4770**

Attachment A

NO.	CUSTOMER NAME	DATE OF INVESTMENT	AMOUNT	TOTAL
1	AR & KR	3/19/2010	\$25,000	\$25,000
2	BJG	2/3/2011	\$25,000	\$25,000
3	CM	3/25/2010	\$50,000	
	FM	3/15/2010	\$50,000	
		4/28/2010	\$100,000	
4	CY	5/20/2010	\$25,000	\$25,000
5	CH & PH	12/7/2009	\$25,000	\$25,000
6	DB & PB	3/15/2010	\$20,000	\$20,000
7	DBa	12/10/2009	\$20,000	
		3/16/2010	\$50,000	
8	DL	3/16/2010	\$50,000	\$50,000
9	DO	6/2/2010	\$25,000	
		11/23/2010	\$50,000	
10	DQN Irrevocable Trust	12/9/2009	\$50,000	\$50,000
11	ER & RR	4/27/2010	\$50,000	\$50,000
12	EB	4/26/2010	\$25,000	
		12/10/2009	\$25,000	
13	EBr and GBr	7/13/2010	\$100,000	\$100,000
14	EA	4/8/2010	\$25,000	\$25,000
15	FL	12/18/2009	\$25,000	\$25,000
16	FS	12/7/2009	\$40,000	
		5/14/2010	\$100,000	
17	FP & CP	12/18/2009	\$25,000	
		6/3/2010	\$25,000	
18	FW	5/12/2010	\$25,000	\$25,000
19	GH	6/5/2010	\$50,000	\$50,000
20	GP	3/18/2010	\$25,000	\$25,000
21	GB	3/12/2010	\$25,000	\$50,000

NO.	CUSTOMER NAME	DATE OF INVESTMENT	AMOUNT	TOTAL
		5/17/2010	\$25,000	
22	HS & RS	3/2/2010	\$50,000	\$50,000
23	JY & JuY	12/14/2009	\$50,000	\$50,000
24	JB	12/7/2009	\$50,000	\$50,000
25	JHP	12/15/2009	\$20,000	\$45,000
		3/16/2010	\$25,000	
26	JS	3/31/2010	\$25,000	\$25,000
27	JW	3/31/2010	\$25,000	\$25,000
28	JBa	12/17/2009	\$20,000	\$20,000
29	JBi	3/15/2010	\$25,000	\$50,000
		12/7/2009	\$25,000	
30	JL	6/7/2010	\$25,000	\$25,000
31	JOJ Trust	4/27/2010	\$35,000	\$35,000
32	JWi	12/16/2009	\$25,000	\$25,000
33	JLo	12/7/2009	\$50,000	\$150,000
		12/17/2009	\$50,000	
		1/28/2010	\$50,000	
34	LG	12/7/2009	\$50,000	\$100,000
		3/15/2010	\$50,000	
35	MS	3/17/2010	\$25,000	\$25,000
36	ML	12/10/2009	\$25,000	\$25,000
37	MB	12/18/2009	\$25,000	\$75,000
		4/20/2010	\$25,000	
		2/1/2011	\$25,000	
38	PM	4/8/2010	\$25,000	\$25,000
39	PG and EG	4/26/2010	\$40,000	\$40,000
40	PT	12/10/2009	\$25,000	\$25,000
41	P&P	12/10/2009	\$25,000	\$75,000
		4/21/2010	\$50,000	

NO.	CUSTOMER NAME	DATE OF INVESTMENT	AMOUNT	TOTAL
42	RSc & JSc	3/17/2010	\$30,000	\$30,000
43	RH & WCC	12/14/2009	\$25,000	\$25,000
44	RS	12/9/2009	\$50,000	\$125,000
		7/3/2010	\$75,000	
45	RHu	4/8/2010	\$50,000	\$50,000
46	RK	11/4/2010	\$250,000	\$250,000
47	RSt	11/3/2010	\$50,000	\$50,000
48	SP & RP	3/18/2010	\$30,000	\$30,000
49	SE	4/27/2010	\$25,000	\$25,000
50	SA and MA	12/7/2009	\$25,000	\$25,000
51	TBE	12/9/2009	\$25,000	\$50,000
		3/31/2010	\$25,000	
52	UHP	4/20/2010	\$50,000	\$50,000
53	WW and DW	4/7/2010	\$25,000	\$25,000
54	WS	3/19/2010	\$25,000	\$25,000
55	WWa	12/10/2009	\$50,000	\$100,000
		1/28/2010	\$50,000	
56	WWe	5/11/2010	\$25,000	\$25,000
	TOTAL			\$2,980,000.00