

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120348226**

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

RE: Terrance R. Hennessy, Respondent
Former Registered Representative and Principal
CRD No. 1072712

HLM Securities, Inc.
CRD No. 133216

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, 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

HLM Securities, Inc. ("HLM"), was registered with FINRA as a broker-dealer from December 2004 to July 2013. On July 17, 2013, HLM was expelled from FINRA's membership after it failed to file its February 2013 FOCUS Report. HLM had one office, and throughout the years had anywhere from two to five representatives registered with it.

Terrance R. Hennessy ("Hennessy") entered the securities industry in 1985 as a registered representative (collectively HLM and Hennessy will be referred to as "Respondents"). In 2004, he formed HLM and was HLM's president and registered principal until HLM's expulsion from FINRA in July 2013. Hennessy has not been in the securities industry since that time.

RELEVANT DISCIPLINARY HISTORY

Hennessy has no relevant disciplinary history.

With respect to HLM, on or about December 14, 2012, the Illinois Securities Department initiated suspension proceedings against HLM for failure to report that a direct owner and executive officer, Joseph Hennessy ("J. Hennessy"), was the subject of an SEC civil proceeding. The Illinois Securities Department suspended HLM on March 14, 2013. As noted above, FINRA expelled HLM on July 17, 2013 for failure to file its February 2013 FOCUS report.

On or about December 22, 2012, HLM entered into an AWC with FINRA arising out of HLM's failure to prepare, keep current and maintain its financial statements and due to net capital violations. HLM agreed to a censure and \$1,000 fine.

OVERVIEW

HLM violated its written supervisory procedures ("WSPs") and lacked adequate supervision and controls in several key areas of its regulatory responsibilities relating to private securities transactions, Form U4 disclosures, and outside business activities, which Hennessy as HLM's President and Chief Compliance Officer ("CCO") failed to ensure and execute. Therefore, Respondents violated NASD Rules 3040 and 3010, as well as NASD Rule 2110 for the conduct prior to December 15, 2008, and FINRA Rule 2010 for the conduct after December 15, 2008.

In addition to violations in his principal capacity, Hennessy also violated several FINRA rules in his individual capacity. Specifically, Hennessy participated in several private securities transactions ("PSTs") without providing written notice to HLM. In connection therewith, Hennessy also provided misleading and evasive answers to FINRA in response to requests for information. He also was involved in several outside business activities ("OBAs") which he failed to disclose in writing to HLM, and willfully failed to disclose in his Form U4. Finally, Hennessy willfully failed to disclose on his Form U4 a judgment that was entered against him, and made a misrepresentation on his Form U4 in connection with the judgment. As a result of the above, Hennessy violated HLM's WSPs, as well as NASD Rules 3030 and 3040, FINRA Rules 1122 and 3270, NASD IM-1000-1, and acted in contravention of FINRA By-Laws Art. V § 2. In addition, Hennessy violated NASD Rule 2110 for the conduct prior to December 15, 2008, and FINRA Rule 2010 for the conduct after December 15, 2008.

FACTS AND VIOLATIVE CONDUCT

1. Hennessy - NASD Rule 3040 – failure to provide written notice of PSTs.

In 2004, Hennessy (and others) formed a limited liability company called Midwest Opportunity Fund LLC (“MOF”) whose purpose was to seek investments to provide capital to small businesses in the Midwest. Interested investors were able to purchase either common or preferred units of MOF in the form of membership interests. These units of MOF membership interests constitute securities under relevant SEC and FINRA rules. From January 2005 to March 2007, Hennessy distributed the MOF Private Placement Memorandum (and supplements) (“PPM”) and other marketing materials to potential investors. Based on Hennessy’s recommendation, eight (8) of those investors proceeded with the purchase of MOF membership interests, totaling \$475,000 in investments in MOF.

None of these MOF investments were conducted through HLM, or any broker-dealer. Rather, on behalf of these eight investors, Hennessy coordinated the purchase of MOF interests directly with MOF and its manager. Although HLM was aware of these activities, Hennessy did not provide written notice to HLM prior to, or even subsequent to, his participation in the purchase of MOF membership interests.

In addition to MOF, in connection with at least two of his clients, Hennessy participated in their 2009 and 2011 purchases of interests in Secured Opportunity Fund LLC (“SOF”). SOF was a limited liability company formed to raise capital for various businesses. These units of SOF membership interests constitute securities under relevant SEC and FINRA rules. Each of these two investors purchased \$50,000 in SOF membership interests, totaling \$100,000. The purchase of SOF interests were not conducted through HLM, or any other broker-dealer. Hennessy did not provide written notice to HLM prior to, or even subsequent to, his participation in the purchase of SOF interests.

HLM’s WSPs required each associated person or registered representative to provide written notice to HLM’s Compliance Officer prior to participating in any securities transaction away from the firm. Such written notice required the person to describe the transaction in detail, describe his or her role in the transaction, and state whether he or she will receive any commission or other compensation, either directly or indirectly, in connection with the transaction.

Similarly, at all relevant times, NASD Rule 3040(a) prohibited persons associated with a member from participating in any manner in a PST except in accordance with Rule 3040. Among other requirements, like HLM’s WSPs, Rule 3040(b)

required an associated person to provide written notice to the member describing the transaction in detail, the person's role in the transaction, and whether he has or may receive selling compensation in connection with the transaction. By failing to provide written notice to HLM prior to his participation in the sale of MOF and SOF membership interests, Hennessy violated NASD Rules 3040 and 2110 (for the period prior to December 15, 2008), and NASD Rule 3040 and FINRA Rule 2010 (for the period after December 15, 2008).

Hennessy's failure to provide written notice of his participation in MOF and SOF, as well as HLM's failure to include those transactions in its books and records (detailed below), deprived FINRA of its ability to oversee Respondents' securities activities since HLM had no record of those activities. FINRA's inability to oversee the securities activities of Respondents was compounded by Hennessy's misleading and evasive responses to FINRA during its investigation. For example, Hennessy initially represented to FINRA that he "did not become engaged with the Midwest Opportunity Fund did not receive compensation from MOF and had no titles or responsibilities with respect to MOF." However, subsequently Hennessy acknowledged that he was one of the principals and founders of MOF, that he was a board member of MOF and subsequently an advisor to the MOF board, and that he raised capital for MOF. Hennessy also provided contradictory and misleading responses regarding his involvement in the purchase of MOF by one of the complaining customers. Hennessy's misleading responses impeded and delayed FINRA's investigation of Respondents' involvement in MOF, which serves as an aggravating factor to his Rule 3040 violation.

In addition to the Rule 3040 violation, by failing to provide written notice as proscribed in HLM's WSPs, Hennessy also breached his firm's WSPs, in violation of NASD Rule 2110 for the period prior to December 15, 2008, and FINRA Rule 2010 for the period after December 15, 2008.

2. HLM - NASD Rules 3040 and 3010 - failure to supervise the MOF transactions and failure to include them in its books and records.

NASD Rule 3010(a) states in part that each member shall establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD and FINRA Rules. Final responsibility for proper supervision rests with the member.

NASD Rule 3040(c), in turn, requires member firms who receive written notice of private securities transactions pursuant to NASD Rule 3040(b), and where the person will or may receive selling compensation, to provide written notification either approving or disapproving the person's participation in the proposed transaction. If the member approves of the person's participation in the

transaction, the transaction must be recorded in the firm's books and records and the member must supervise the person's participation in the transaction as if the transaction were executed on behalf of the member.

As described above, Hennessy participated in the solicitation of MOF investors, 8 of which resulted in actual investments. Similarly, the other principal owner of HLM – J. Hennessy – also participated in the purchase of MOF interests. Specifically, from 2005 to 2007, J. Hennessy participated in purchase of at least 13 MOF investments, totaling at least \$2,315,000 in investments. The MOF investors began complaining about their investments in 2011 and 2012 after the MOF portfolio companies started going into receivership, thus triggering FINRA's investigation. Neither Hennessy nor J. Hennessy provided written notice of the MOF transactions to HLM pursuant to NASD Rule 3040(b). Nonetheless, HLM was aware of the transactions since Hennessy was the president of HLM and J. Hennessy was the treasurer and director. Therefore, their knowledge is imputed to HLM.

Hennessy and J. Hennessy were members of the managing member of MOF – MOF Managing Member LLC ("MOF Managing Member"). Pursuant to the MOF PPM and Operating Agreement, Hennessy and J. Hennessy were to receive a monthly management fee, distributed equally between them, for their services to MOF Managing Member and to MOF itself. In addition, Hennessy and J. Hennessy were entitled to receive a percentage of the profits of MOF Managing Member. Finally, Hennessy and J. Hennessy were board members of MOF and/or advisors to the MOF board. As such, they were entitled to receive advisory board fees.

NASD Rule 3040(c) provides that if an associated person "has received or may receive selling compensation," and the member firm approves the transaction, the member firm must supervise the transaction and include it in its books and records. The NASD Rule 3040(e)(2) defines "selling compensation" as "any compensation paid directly or indirectly from whatever source in connection with or as a result of the purchase or sale of a security, including, though not limited to, commissions; finder's fees; securities or rights to acquire securities; rights of participation in profits, tax benefits, or dissolution proceeds, as a general partner or otherwise; or expense reimbursements." Here, Hennessy and J. Hennessy expected to receive selling compensation in the form of monthly management fees, advisory board fees and a percentage of profits from MOF Managing Member. HLM was thus required to supervise the MOF transactions and include them in its books and records. Failure to do so violated NASD Rules 2110, 3040 and 3010.

In addition, although HLM's WSPs set forth procedures to follow in the event HLM is notified of a PST, HLM failed to follow the procedures. Specifically, the WSPs required the President of HLM (Hennessy) to verify that the firm has received sufficient information regarding the proposed PST in order to determine

whether it needs to be included in HLM's books and records and in order to supervise the transaction. The President was also required to advise the associated person in writing if the transaction is approved or disapproved. Here, HLM knew about the MOF transactions and did not follow its own procedures to ensure the proper recording and supervision of the transactions. As a result, HLM violated NASD Rule 2110.

3. HLM and Hennessy - NASD Rules 3040 and 3010 - failure to supervise and implement supervisory procedures designed to achieve compliance with respect to PSTs.

As noted above, NASD Rule 3010(a) states, in part, that each member shall establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD and FINRA Rules, including *inter alia*, NASD Rule 3040. HLM adopted WSPs pertaining to PSTs, but failed to adhere to and execute the WSPs.

Under HLM's WSPs concerning PSTs, associated persons were required to provide written notice of the PSTs to the Compliance Officer prior to participation. The Compliance Officer was then required to provide the notice to the President, who would (a) review the notice to determine whether the firm had enough information to include the transaction on its books and records and to supervise the transaction, and (b) advise the associated person in writing of the approval or disapproval of the request, and/or whether there were conditions attached to any approved participation. The WSPs further provided that when the firm has approved the PSTs in the context of investment advisory activities of an associated person for which that person will receive selling compensation, the firm has developed and maintained a recordkeeping system that captures the transactions and facilitates the supervision of the activities, including the suitability of the transactions.

Hennessy was the President of HLM from 2005 to 2013, and after November 2007, Hennessy became the CCO of HLM. Therefore, after that date, Hennessy was responsible for supervising PSTs, both as CCO and as President. Hennessy failed to implement any procedures or controls to determine whether HLM's registered representatives engaged in PSTs, and if so, to determine what, if any, responsibilities HLM had to supervise the transactions and include them in its book and records.

Specifically, in addition to MOF, registered representatives of HLM participated in other private securities transactions that were not properly supervised. As noted above, Hennessy participated in the sale of SOF units to two investors, totaling \$100,000 in investments. Although he was the CCO and President at the

time, Hennessy did not provide written notice of the transactions. HLM, in turn, failed to supervise the transactions and include them in its books and records.

Similarly, J. Hennessy participated in the offering of at least two other private placements by two different issuers of which Hennessy was aware at the time that he was CCO. Yet, Hennessy did not ask any questions of J. Hennessy to determine the nature of the transactions and J. Hennessy's involvement therewith, whether there was selling compensation, whether HLM had any supervisory responsibilities, and whether the transactions should be included in HLM's books and records. Indeed, there were no records of these transactions in HLM's books and records, which deprived FINRA of its ability to oversee J. Hennessy and HLM.

Respondents' failure to obtain necessary information about the PSTs of its registered representatives about which they were aware is contrary to the specific requirements set forth in HLM's WSPs. It is also contrary to the requirements of NASD Rules 3010 and 3040 which require firms to investigate transactions or conduct as they become aware in order to assess their responsibilities under the rules. As such, Respondents violated NASD Rules 3010 and 3040, as well as NASD Rule 2110 for the period prior to December 15, 2008, and FINRA Rule 2010 for the period after December 15, 2008.

4. Hennessy - FINRA By-Laws Art. V § 2 and FINRA Rule 1122- willfully failing to disclose on his Form U4 a judgment against him and making a misrepresentation in connection therewith on his Form U4.

FINRA Rule 1122 states that "[n]o member or person associated with a member shall file with FINRA information with respect to membership or registration which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice thereof." Similarly, Article V, Section 2(c) of FINRA's By-Laws requires an associated person to keep his Form U4 "current at all times," and to file amendments to Forms U4 "not later than 30 days after learning of the facts or circumstances giving rise to the amendment." Question 14M on the Form U4 requires the disclosure of unsatisfied tax liens and judgments.

On January 21, 2010, a \$677,429 judgment was entered against Hennessy and J. Hennessy, among others, in case brought in Indiana by a bank (the "Judgment"). On January 27, 2011, the bank filed a case in Illinois to register the "foreign" Judgment. On August 22, 2012, the Illinois matter was dismissed pursuant to a settlement agreement and on August 29, 2012, an Order of Satisfaction of Judgment was entered and the Judgment was deemed satisfied.

Hennessy knew about the Judgment since on or about the time the Judgment was entered in January 2010. Hennessy further knew that it had not been satisfied until August 29, 2012. Therefore, from January 27, 2010 through August 29,

2012, Hennessy had an unsatisfied judgment pending against him. Hennessy never disclosed the Judgment on his Form U4, although he understood that the Judgment was required to be disclosed and although he was the HLM principal in charge of Form U4 disclosures at the time. Hennessy filed a Form U4 amendment on June 28, 2012, seven weeks before the August 29, 2012 Order of Satisfaction of Judgment, while he was in the midst of negotiating the settlement of the Judgment. In the June 2012 Form U4 amendment, Hennessy answered "no" to the question regarding whether he had any unsatisfied judgments. Hennessy willfully failed to disclose the unsatisfied Judgment from February 2010 through August 29, 2012, and made an affirmative misrepresentation on his June 2012 Form U4 amendment. In doing so, Hennessy willfully violated FINRA Rules 1122 and 2010, and FINRA By-Laws Art. V § 2.

5. HLM and Hennessy - NASD Rule 3010 - failing to supervise and implement supervisory procedures designed to achieve accurate reporting of Form U4 disclosures.

NASD Rule 3010 requires each member firm to establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD and FINRA Rules. Among the rules that member firms must ensure compliance are the rules relating to Form U4 disclosures, including FINRA Rule 1122 and Article V, Section 2(c) of FINRA's By-Laws, described above.

In contemplation of the above rules, HLM's WSPs addressed the disclosure requirements relating to customer complaints and other disclosable events. Specifically, HLM's Compliance Officer was responsible for ensuring that the Forms U4 were amended and kept current, and required the Compliance Officer to file an amendment within 30 days of learning of the facts or circumstances that gave rise to the amendment. The WSPs further provided that the Compliance Officer notify FINRA within 10 business days after he/she knows or should have known that the firm or an associated person is the subject of a written customer complaint alleging theft, misappropriation of funds or securities, or forgery. As of November 2007, Hennessy was the Compliance Officer charged with Form U4 disclosures for HLM.

As noted above, the January 27, 2010 Judgment was entered against J. Hennessy, as well as Hennessy, which Hennessy knew about. Yet, Hennessy never submitted an amended Form U4 disclosing the Judgment against J. Hennessy.

In addition to the January 27, 2010 Judgment, J. Hennessy had another Section 14 Form U4 disclosable event that was improperly and untimely disclosed. Specifically, J. Hennessy was named individually in a suit filed by a MOF investor. The complaint was filed on September 14, 2011 and HLM acknowledges that it received the complaint on September 15, 2011. The investor

alleged forgery, fraud, breach of fiduciary duty, and conversion against J. Hennessy in connection with her MOF investment. The matter settled and was dismissed with prejudice on June 27, 2012. The Form U4 mandates disclosure of: (1) investment-related, consumer initiated litigation alleging sales practice violations which are still pending (Question 14I(1)(a)), and (2) investment-related, consumer initiated complaints brought in the past 24 months alleging forgery, theft, misappropriation or conversion of funds or securities (14I(3)(b)). The investor's complaint and civil lawsuit was never disclosed on J. Hennessy's Form U4. Instead, it was disclosed on February 7, 2013 in his Form U5 – more than a year after the complaint was filed and more than six months after the case was settled. But, even the Form U5 misstates the nature of the claim, describing the claim as one involving "improper investment advice, unauthorized investment." There is no mention of claims of forgery, misappropriation or conversion, as contemplated in Question 14I(3)(b).

Hennessy knew about this complaint and civil lawsuit, yet, he did not ensure that the investor's complaint and allegations were disclosed on J. Hennessy's Form U4, and did not ensure accurate reporting on his Form U5.

Based on the above, Respondents violated NASD Rule 3010 and FINRA Rule 2010 because they failed to implement proper procedures, and failed to enforce their own procedures, to ensure accurate and timely reporting of disclosable events.

6. Hennessy - NASD Rule 3030/FINRA Rule 3270 - failure to provide written notification of outside business activities to HLM.

Prior to December 14, 2010, NASD Rule 3030 prohibited any person associated with a member firm from being "employed by, or accepting compensation from, any other person as a result of any business activity, other than a passive investment, outside the scope of his relationship with his employer firm, unless he has provided prompt written notice to the member." Subsequently, FINRA adopted FINRA Rule 3270, which applies after December 15, 2010, and which states:

No registered person may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm, unless he or she has provided prior written notice to the member, in such form as specified by the member. Passive investments and activities subject to the requirements of NASD Rule 3040 shall be exempted from this requirement.

From 2005, when HLM was formed, to 2012, Hennessy was involved in at least seven (7) OBAs that he did not disclose to HLM. Specifically, when Hennessy

did disclose certain of his OBAs to the Firm, he disclosed only his investment advisory firm, and his fixed insurance services. The undisclosed OBAs were separate entities that Hennessy created, or participated in their creation, for a variety of business purposes, and of which Hennessy was an officer, director, owner, member and/or registered agent. Hennessy's failure to disclose these OBAs prior to December 15, 2010 was in violation of NASD Rule 3030, and after December 15, 2010 was in violation of FINRA Rule 3270. Hennessy's conduct also violated NASD Rule 2110 for the conduct prior to December 15, 2008, and FINRA Rule 2010 for the conduct after December 15, 2008. This failure also deprived FINRA of the ability to properly oversee HLM and its registered representatives because there was no written record of these activities.

7. Hennessy - FINRA By-Laws Art. V § 2, FINRA Rule 1122 and NASD IM-1000-1 - failure to disclose outside business activities on his Form U4.

In addition to the NASD Rule 3030/FINRA Rule 3270 violations for failure to report the OBAs to HLM, Hennessy failed to properly report his OBAs in Section 13 of the Form U4.

Under Article V, Section 2(c), of FINRA's By-Laws, every application for registration filed with FINRA must be kept current at all times. Similarly, NASD IM-1000-1 and FINRA Rule 1122 prohibited the filing of information with FINRA which is incomplete or inaccurate so as to be misleading, or which could in any way tend to mislead, or fail to correct such filing after notice. Amendments must be filed within 30 days after learning the facts which give rise to the need to amend or update a Form U4. These rules apply to Section 13 disclosures as well.

Specifically, Section 13 of the Form U4 asks:

Are you currently engaged in any other business either as a proprietor, partner, officer, director, employee, trustee, agent or otherwise? (Please exclude non *investment-related* activity that is exclusively charitable, civic, religious or fraternal and is recognized as tax exempt.) If YES, please provide the following details: the name of the other business, whether the business is *investment-related*, the address of the other business, the nature of the other business, your position, title, or relationship with the other business, the start date of your relationship, the approximate number of hours/month you devote to the other business, the number of hours you devote to the other business during securities trading hours, and briefly describe your duties relating to the other business.

In response, Hennessy disclosed only his investment advisory activity, and not any of the OBAs described above. In addition, the Form U4 did not disclose Hennessy's insurance work. This failure to disclose was in contravention of

FINRA By-Laws Art. V § 2 and violated FINRA Rule 1122 after August 17, 2009, and NASD IM 1000-1 before August 17, 2009. In addition, Hennessy violated NASD Rule 2110 for the conduct prior to December 15, 2008, and FINRA Rule 2010 for the conduct after December 15, 2008. This failure to disclose was willful since Hennessy, as the principal responsible for Form U4 disclosures, was aware of the scope of the disclosure requirements and yet failed to appropriately make his own disclosures. This failure to disclose not only deprived FINRA of its oversight over the OBAs of Hennessy, it also deprived the investing public of material information regarding the activities of Hennessy.

8. HLM and Hennessy - NASD Rule 3010 - failure to supervise and implement supervisory procedures designed to comply with outside business activity disclosures of its registered representatives.

NASD Rule 3010 requires each member firm to establish and maintain a system to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD and FINRA Rules. Among the rules with which member firms must ensure compliance are the rules relating to OBA disclosures, including NASD Rule 3030, FINRA Rules 1122 and 3270, and Article V, Section 2(c) of FINRA's By-Laws, each described above.

Moreover, HLM's WSPs had specific procedures in place regarding OBA disclosures. Specifically, upon notice of an associated person's OBAs, the Compliance Officer was required to either approve or disapprove the OBA, reflect such OBA on the person's Form U4, and maintain related records in HLM's files. After November 2007, Hennessy was the Compliance Officer charged with such OBA disclosures.

From November 2007 to 2012, J. Hennessy only disclosed his investment advisory services on his Form U4. On his OBA forms submitted to HLM, J. Hennessy also disclosed his insurance and accounting services, as well as another entity with which he was involved, which he did not disclose on his Form U4. Yet, J. Hennessy was also involved in the creation of at least five corporate entities, created for a variety of business purposes, for which he was either an officer, director, member, owner, and/or registered agent. These were corporate entities that J. Hennessy either formed with Hennessy, or about which Hennessy was aware. Yet, J. Hennessy's involvement in these entities were not disclosed in the Firm's OBA disclosure forms, or on his Form U4.

Based on the above, Respondents violated NASD Rule 3010 because they failed to implement proper procedures, and failed to enforce their own procedures, to ensure accurate reporting of J. Hennessy's OBAs pursuant to NASD Rule 3030, FINRA Rules 1122 and 3270, and Article V, Section 2(c) of FINRA's By-Laws.

This conduct also violated NASD Rule 2110 for the conduct prior to December 15, 2008, and FINRA Rule 2010 for the conduct after December 15, 2008.

B. Respondents consent to the imposition of the following sanctions, respectively:

1. HLM consents to a \$100,000 fine, \$10,000 of which is joint and several with Hennessy; and
2. Hennessy, in his individual capacity, consents to (a) a \$50,000 fine (which includes the \$10,000 joint and several fine with HLM above), and (b) a suspension from associating with any FINRA registered firm in any capacity for 18 months.

Respondent HLM agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The fine with respect to Hennessy shall be due and payable either immediately upon reassociation with a member firm following the 18-month suspension noted above, or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

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

Hennessy understands that if he is barred or suspended from associating with any FINRA member, he 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. Accordingly, Hennessy may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension (see FINRA Rules 8310 and 8311).

Hennessy understands that this settlement includes a finding that he willfully omitted to state material facts and willfully misrepresented material facts on his Form U4, and that under Section 3(a)(39)(F) of the Securities Exchange Act of 1934 and Article III, Section 4 of FINRA's By-Laws, this omission and misrepresentation makes him subject to a statutory disqualification with respect to association with a member.

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 Respondents; and

C. If accepted:

1. this AWC will become part of their 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 their 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. They 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': (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.

- 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 neither may 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.

Hennessey certifies that he has read, and the undersigned on behalf of the HLM, certifies that a person duly authorized to act on its behalf has read, and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; 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.

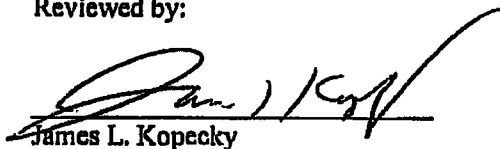
1/24/2014
Date (mm/dd/yyyy)

[Signature]
Respondent, Terrance R. Hennessey

HLM Securities, Inc.

By: [Signature]

Reviewed by:



James L. Kopecky
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Accepted by FINRA:

4/2/14
Date

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



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