

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013035961601**

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

RE: Harry Shaw Hammond, Respondent
Former Registered Representative
CRD No. 2261856

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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 me alleging violations based on the same factual findings described herein.

**I.
ACCEPTANCE AND CONSENT**

- A. I 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

Harry Shaw Hammond ("Respondent") first became registered with FINRA as a General Securities Representative on January 2, 2003. He was associated with InterSecurities, Inc. ("ISI" or the "Firm") (BD No. 16164) (now known as Transamerica Financial Advisors, Inc.) between February 22, 2006, and November 30, 2007, where he maintained the following registrations: General Securities Representative (Series 7), Investment Company Products/Variable Contracts (Series 26), and Investment Company Products/Variable Contracts Limited Representative (Series 6). He was terminated by the Firm on November 30, 2007, for failure to follow its advertising policies, as reported in a Form U5 filed on December 8, 2007. Hammond subsequently was associated with another FINRA member between December 3, 2007, and December 2, 2011. Although Respondent is not currently associated a FINRA member, FINRA retains jurisdiction over him pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Respondent has no relevant disciplinary history.

OVERVIEW

Between April 3, 2006, and November 30, 2007, Hammond participated in private securities transactions without the Firm's approval by referring 24 individuals and entities to invest with the Nutmeg Group, LLC, a private investment firm which purportedly specialized in Private Investment in Public Equity ("PIPE") transactions. In discussions with potential investors, which included Firm clients, Hammond reported his own success as an investor with Nutmeg, distributed information from Nutmeg, and referred interested customers. Individuals referred by Hammond invested over \$4 million. As a result of these referrals, Nutmeg paid \$18,000 to Hammond's wife, who was not registered but worked as Hammond's administrative assistant.

On March 23, 2009, Nutmeg was sued by the SEC for misappropriation of client assets, misrepresentations to investors, and failure to maintain required books and records, and was placed in receivership on August 6, 2009.

Respondent's participation in private securities transactions without notice and approval from the Firm violated NASD Rules 3040 and 2110.

FACTS AND VIOLATIVE CONDUCT

Nutmeg was a private investment firm that purportedly invested in companies with relatively small market capitalization through PIPE transactions. A business acquaintance of Hammond who also served as the director of sales and marketing for Nutmeg, AH, told Hammond that he had received over 100% returns from his Nutmeg investment. In considering whether to invest in Nutmeg, Hammond traveled twice to Chicago from his home in Florida to meet with Nutmeg's manager, RG, and his staff, to discuss Nutmeg's business.

On or about April 4, 2006, Hammond invested \$100,000 in Nutmeg. That same day, Hammond submitted an Outside Business Activity request to ISI to approve his personal investment in Nutmeg. Hammond informed the Firm that he would not raise capital, refer individuals, solicit investments, or receive commissions from Nutmeg. Hammond's OBA request was approved on or about April 20, 2006.

On October 31, 2006, Hammond submitted to ISI a request to form a general partnership to raise capital for Nutmeg. Approximately nine months after Hammond submitted the request, on July 18, 2007, the Firm denied it, and explicitly prohibited Hammond from participating in the activity described.

Both before and after ISI's denial of Hammond's request, Respondent recommended investments in Nutmeg. Hammond told potential investors about his own returns, in some cases showing them his personal investment statements or providing them with written materials from Nutmeg, and referred interested parties to RG. In one instance, Hammond sent a letter on ISI stationery to a potential investor enclosing a "PIPE Fund Q&A" authored by RG that boasted a 201% internal rate of return for Nutmeg's investments. Twenty-four individuals and entities referred by Hammond invested a total of over \$4 million with Nutmeg. RG paid \$18,000 to Hammond's wife, who was not

registered with FINRA but worked as Hammond's administrative assistant, because Nutmeg was not an ISI-approved product.

The SEC filed suit against Nutmeg for misappropriation of over \$4 million in client assets, as well as misrepresentations to investors, and a failure to maintain required books and records, on March 23, 2009; as a result, Nutmeg was placed into receivership on August 6, 2009. Hammond's wife returned the \$18,000 paid by Nutmeg to the receiver. Investor losses have not yet been determined. Hammond is currently a creditor in the Nutmeg receivership for his investment losses and to date has not received any distributions.

Hammond's participation in private securities transactions for compensation as outlined above without notice to or approval from the Firm violated NASD Rules 3040 and 2110.

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

1. A suspension from association with any FINRA member in any and all capacities for a period of twelve (12) months; and
2. a \$10,000 fine.

The fine shall be due and payable either immediately upon reassociation with a member firm following the twelve 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.

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

I understand that if I am barred or suspended from associating with any FINRA member, I become 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, I 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).

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against me;
- 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, I 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.

I 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

I 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 me; and
- C. If accepted:
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about my 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. I 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. I 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 my: (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. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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.

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I 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 me to submit it.

06 NOV 13
Date

HS Hammond
Harry Shaw Hammond

Reviewed by:

[Signature]
James D. Sallah, Esq.
Sallah & Cox, LLC
One Boca Place
2255 Glades Road, Suite 300E
Boca Raton, Florida 33431
Counsel for Respondent

Accepted by FINRA:

11/14/13
Date

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

[Signature]
James E. Day
Vice President and Chief Counsel
FINRA Department of Enforcement
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