

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 99504 / February 9, 2024

INVESTMENT ADVISERS ACT OF 1940
Release No. 6552 / February 9, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-21853

In the Matter of

**The Huntington Investment
Company,
Huntington Securities, Inc., and
Capstone Capital Markets LLC,**

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS
PURSUANT TO SECTIONS 15(b) AND 21C
OF THE SECURITIES EXCHANGE ACT OF
1934 AND SECTIONS 203(e) AND 203(k) OF
THE INVESTMENT ADVISERS ACT OF
1940, MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against The Huntington Investment Company (“HIC”), Huntington Securities, Inc. (“HSI”), and Capstone Capital Markets LLC (“Capstone”) (collectively, “Respondents” or “Huntington”) and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”) against HIC.

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (“Offers”) that the Commission has determined to accept. Respondents admit the facts set forth in Section III below, acknowledge that their conduct violated the federal securities laws, admit the Commission’s jurisdiction over them and the subject matter of these proceedings, and consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds¹ that:

Summary

1. The federal securities laws impose recordkeeping requirements on broker-dealers and registered investment advisers to ensure that they responsibly discharge their crucial role in our markets. The Commission has long said that compliance with these requirements is essential to investor protection and the Commission's efforts to further its mandate of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation. These proceedings arise out of Huntington's identification—and self-report—of widespread failures of certain Huntington employees throughout the firms, including at senior levels, to adhere to certain of these essential requirements and Huntington's own policies. Using their personal devices, these employees communicated both internally and externally by personal text messages ("off-channel communications").

2. After Huntington's compliance staff identified business-related electronic communications on a non-approved platform on personal devices, Huntington conducted an internal investigation and self-reported the facts to Commission staff. Respondents proactively identified key documents and facts, which assisted the Commission staff in efficiently investigating the conduct. Prior to contacting the Division of Enforcement, since January 2019, Respondents also undertook significant remedial measures relating to their recordkeeping practices, policies and procedures, and related supervisory practices, including, in 2021, making an on-channel texting application available.

3. From at least January 2019, Huntington employees sent and received off-channel communications that related to HIC's, HSI's and Capstone's broker-dealer businesses and with respect to HIC's investment advisory business, off-channel communications related to recommendations made or proposed to be made and advice given or proposed to be given. Respondents did not maintain or preserve the substantial majority of these written communications. Respondents' failures were firm-wide and involved employees at various levels of authority. As a result, Respondents violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder and HIC violated Section 204 of the Advisers Act and Rule 204-2(a)(7) thereunder.

4. Huntington's supervisors, who were responsible for supervising junior employees, routinely communicated on a non-approved platform using their personal devices. In fact, senior managers and officers responsible for supervising junior employees themselves failed to comply with HIC's, HSI's, and Capstone's policies by communicating using non-HIC, HSI, and Capstone approved methods on their personal devices about HIC, HSI and Capstone's broker-dealers and HIC's investment adviser business.

¹ The findings herein are made pursuant to Respondents' Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

5. HIC's, HSI's, and Capstone's widespread failure to implement their policies and procedures that prohibit such communications led to their failure reasonably to supervise their employees within the meaning of Section 15(b)(4)(E) of the Exchange Act as to each of the Respondents, as well as Section 203(e)(6) of the Advisers Act as to HIC.

6. During the time period that HIC failed to maintain and preserve off-channel communications that its employees sent and received related to the broker-dealer business and investment adviser business, HIC received and responded to a Commission records request in a Commission investigation. As a result, HIC's recordkeeping failures likely impacted the Commission's ability to carry out its regulatory functions and investigate violations of the federal securities laws in that investigation.

7. After Huntington initiated a review of its recordkeeping efforts, HIC, HSI, and Capstone identified failures and self-reported their conduct, and further enhanced their ongoing programs of remediation. As set forth in the Undertakings below, HIC, HSI and Capstone will retain an independent compliance consultant to review and assess HIC's, HSI's and Capstone's remedial steps relating to HIC's HSI's and Capstone's recordkeeping practices, policies and procedures, related supervisory practices, and employment actions.

Respondents

8. The **Huntington Investment Company** is an Ohio corporation with its principal office in Columbus, Ohio, and is registered with the Commission as a broker-dealer and investment adviser. It is a wholly owned subsidiary of Huntington Bancshares Incorporated, a publicly held regional bank holding company incorporated in Ohio.

9. **Huntington Securities, Inc.** is a Delaware corporation with its principal office in Columbus, Ohio, and is registered with the Commission as a broker-dealer and municipal advisor. It is also a wholly owned subsidiary of Huntington Bancshares Incorporated.

10. **Capstone Capital Markets LLC** is a Delaware limited liability company with its principal office in Boston, Massachusetts, and is registered with the Commission as a broker-dealer. Capstone was acquired by Huntington Bancshares Incorporated in June 2022 as a wholly owned subsidiary.

Recordkeeping Requirements under the Exchange and Advisers Acts

11. Section 17(a)(1) of the Exchange Act and Section 204 of the Advisers Act authorize the Commission to issue rules requiring, respectively, broker-dealers and investment advisers to make and keep for prescribed periods, and furnish copies of, such records as necessary or appropriate in the public interest, for the protection of investors or otherwise in furtherance of the purposes of the Exchange Act and the Advisers Act.

12. The Commission adopted Rule 17a-4 under the Exchange Act and Rule 204-2 under the Advisers Act pursuant to this authority. These rules specify the manner and length of time that the records created in accordance with Commission rules, and certain other records

produced by broker-dealers or investment advisers, must be maintained and produced promptly to Commission representatives.

13. The rules adopted under Section 17(a)(1) of the Exchange Act, including Rule 17a-4(b)(4), require that broker-dealers preserve in an easily accessible place originals of all communications received and copies of all communications sent relating to a firm's business as such. These rules impose minimum recordkeeping requirements that are based on standards a prudent broker-dealer should follow in the normal course of business.

14. The rules adopted under Advisers Act Section 204, including Advisers Act Rule 204-2(a)(7), require that investment advisers preserve in an easily accessible place originals of all communications received and copies of all written communications sent relating to, among other things, any recommendation made or proposed to be made and any advice given or proposed to be given.

15. The Commission previously has stated that these and other recordkeeping requirements "are an integral part of the investor protection function of the Commission, and other securities regulators, in that the preserved records are the primary means of monitoring compliance with applicable securities laws, including antifraud provisions and financial responsibility standards." Commission Guidance to Broker-Dealers on the Use of Electronic Storage Media under the Electronic Signatures in Global and National Commerce Act of 2000 with Respect to Rule 17a-4(f), 17 C.F.R. Part 241, Exchange Act Rel. No. 44238 (May 1, 2001).

HIC's, HSI's, and Capstone's Policies and Procedures

16. HIC, HSI, and Capstone maintained certain policies and procedures designed to ensure the retention of business-related records, including electronic communications, in compliance with the relevant recordkeeping provisions.

17. HIC, HSI, and Capstone employees were advised that the use of unapproved electronic communications methods, including on their personal devices, was not permitted, and they should not use personal email, chats or text messaging applications for business purposes, or forward work-related communications to their personal devices. After 2021, Huntington employees were advised that they were required to use an approved platform for business related communications on any personal device.

18. Messages sent through HIC, HSI, and Capstone -approved communications methods were monitored, subject to review, and, when appropriate, archived. Messages sent through unapproved communications methods, such as text messaging or, after 2021, unapproved applications on personal devices, were not monitored, subject to review or archived.

19. HIC's, HSI's, and Capstone's policies were designed to address supervisors' supervision of employees' training in HIC's, HSI's, and Capstone's communications policies and adherence to HIC's, HSI's, and Capstone's books and recordkeeping requirements. Supervisory policies notified employees that electronic communications were subject to surveillance by HIC, HSI, and Capstone. HIC, HSI, and Capstone had procedures for all employees, including supervisors, requiring annual self-attestations of compliance.

20. HIC, HSI, and Capstone, however, failed to implement a system of follow-up and review to determine that supervisors were reasonably following HIC's, HSI's, and Capstone's policies. While permitting employees to use approved communications methods, including, after 2021, an approved platform on personal phones, for business communications, HIC, HSI, and Capstone failed to implement sufficient monitoring to assure that their recordkeeping and communications policies were being followed.

Respondents' Recordkeeping Failures Across Their Businesses

21. In September 2021, the Commission staff commenced a risk-based initiative to investigate whether broker-dealers were properly retaining business-related messages sent and received on personal devices. In September 2023, Huntington voluntarily contacted the staff regarding certain off-channel communications that it had identified related to the businesses of HIC, HSI, and Capstone. Huntington cooperated with the staff's investigation by proactively gathering communications from the personal devices of its personnel and responding to the staff's requests for additional information. As reported to the Commission staff, Huntington personnel who had engaged in the use of off-channel communications included senior managers and officers across each firm.

22. Huntington alerted the Commission staff to numerous off-channel communications at various seniority levels of Huntington's broker-dealers. In addition, HIC's investigation uncovered the use of off-channel communications within HIC's investment adviser business. Respondents collected data from a sampling of broker-dealer and investment adviser personnel and found that some had engaged in at least some level of off-channel communications since January 2019. Overall, these personnel sent and received numerous off-channel communications, involving other Huntington personnel and external contacts in the securities industry. As disclosed to the Commission staff, within Huntington, a number of senior leaders participated in off-channel communications.

23. From at least January 2019, HIC, HSI, and Capstone personnel sent and received off-channel messages that concerned the businesses of the broker-dealers. During this period, HIC investment adviser personnel sent and received off-channel messages related to, among other things, providing and recommending investment advice to clients.

24. For example, from January 2019 to March 2023, a HIC director exchanged off-channel messages on at least 68 occasions, including with junior employees under their supervision. These messages related to the HIC's broker-dealer business as such.

25. In another example, in 2022, a HIC officer communicated via text message with a HIC regional manager. These messages related to, among other things, investment advice given or proposed to be given to investment advisory clients.

26. In an additional example, in August 2021 HSI employees exchanged numerous off-channel messages with each other. These messages related to HSI's broker-dealer business as such.

27. In a final example, in September 2021 and October 2021, a Capstone employee exchanged off-channel messages with a Capstone customer. These messages related to Capstone’s broker-dealer business as such.

**HIC’s Failure to Preserve Required Records Potentially
Compromised and Delayed a Commission Matter**

28. Between January 2019 and the present, HIC received and responded to a Commission records request in a Commission investigation. By failing to maintain and preserve required records relating to its business, HIC likely deprived the Commission of off-channel communications in that investigation.

Respondents’ Violations and Failure to Supervise

29. As a result of the conduct described above, from at least January 2019 through the date of this Order, HIC, HSI, and Capstone willfully² violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder, which require broker-dealers to preserve for at least three years originals of all communications received and copies of all communications sent relating to their business as such.

30. As a result of the conduct described above, from at least January 2019 through the date of this Order, HIC willfully violated Section 204 of the Advisers Act and Rule 204-2(a)(7) thereunder, which require investment advisers to preserve in an easily accessible place originals of all written communications received and copies of all written communications sent relating to, among other things, any recommendation made or proposed to be made and any advice given or proposed to be given.

31. As a result of the conduct described above, HIC, HSI, and Capstone failed reasonably to supervise their employees with a view to preventing or detecting certain of their employees’ aiding and abetting violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder, within the meaning of Section 15(b)(4)(E) of the Exchange Act.

32. As a result of the conduct described above, HIC failed reasonably to supervise its employees with a view to preventing or detecting certain of its employees’ aiding and abetting

² “Willfully,” for purposes of imposing relief under Section 15(b) of the Exchange Act and Section 203(e) of the Advisers Act “means no more than that the person charged with the duty knows what he is doing.” See *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “also be aware that he is violating one of the Rules or Acts.” *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in *The Robare Group, Ltd. v. SEC*, which construed the term “willfully” for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has “willfully omit[ted]” material information from a required disclosure in violation of Section 207 of the Advisers Act).

violations of Section 204 of the Advisers Act and Rule 204-2(a)(7) thereunder, within the meaning of Section 203(e)(6) of the Advisers Act.

HIC's, HSI's, and Capstone's Remedial and Cooperation Efforts

33. In determining to accept the Offers, the Commission considered HIC's, HSI's, and Capstone's self-report, cooperation afforded to Commission staff, and remediation. After identifying off-channel communications, Respondents conducted an internal investigation and self-reported the facts to Commission staff. Prior to approaching Commission staff, since at least January 2019, HIC, HSI, and Capstone had begun a program of remediation, which included strengthening their policies and procedures by making investments in new technologies to improve surveillance and retention efforts; increasing the number of trainings and sending firm-wide reminders that emphasized the importance of complying with recordkeeping obligations, and, in 2021, making an on-channel texting platform available. HIC, HSI, and Capstone also took proactive steps to collect and preserve off-channel communications.

Undertakings

34. Prior to this action, HIC, HSI, and Capstone enhanced their policies and procedures, and increased training concerning the use of approved communications methods, including on personal devices, and began implementing significant changes to the technology available to employees. In addition, HIC, HSI, and Capstone have undertaken to:

35. **Independent Compliance Consultant.**

a. HIC, HSI, and Capstone shall each retain, within thirty (30) days of the entry of this Order, the services of an independent compliance consultant ("Compliance Consultant") that is not unacceptable to the Commission staff. The Compliance Consultant's compensation and expenses shall be borne exclusively by HIC, HSI, and Capstone.

b. HIC, HSI, and Capstone will oversee the work of the Compliance Consultant.

c. HIC, HSI, and Capstone shall provide to the Commission staff, within sixty (60) days of the entry of this Order, a copy of the engagement letter detailing the Compliance Consultant's responsibilities, which shall include a comprehensive compliance review as described below. HIC, HSI, and Capstone shall require that, within ninety (90) days of the date of the engagement letter, the Compliance Consultant conduct:

i. A comprehensive review of HIC's, HSI's, and Capstone's supervisory, compliance, and other policies and procedures designed to ensure that HIC's, HSI's, and Capstone's electronic communications, including those found on personal electronic devices, including without limitation, cellular phones ("Personal Devices"), are preserved in accordance with the requirements of the federal securities laws.

ii. A comprehensive review of training conducted by HIC, HSI, and Capstone to ensure personnel are complying with the requirements regarding the preservation of electronic communications, including those found on Personal Devices, in accordance with the requirements of the federal securities laws, including by ensuring that HIC, HSI, and Capstone personnel certify in writing on a quarterly basis that they are complying with preservation requirements.

iii. An assessment of the surveillance program measures implemented by HIC, HSI, and Capstone to ensure compliance, on an ongoing basis, with the requirements found in the federal securities laws to preserve electronic communications, including those found on Personal Devices.

iv. An assessment of the technological solutions that HIC, HSI, and Capstone have begun implementing to meet the record retention requirements of the federal securities laws, including an assessment of the likelihood that HIC, HSI, and Capstone personnel will use the technological solutions going forward and a review of the measures employed by HIC, HSI, and Capstone to track employee usage of new technological solutions.

v. An assessment of the measures used by HIC, HSI, and Capstone to prevent the use of unauthorized communications methods for business communications by employees. This assessment should include, but not be limited to, a review of HIC's, HSI's, and Capstone's policies and procedures to ascertain if they provide for any significant technology and/or behavioral restrictions that help prevent the risk of the use of unapproved communications methods on Personal Devices (e.g., trading floor restrictions).

vi. A review of HIC's, HSI's, and Capstone's electronic communications surveillance routines to ensure that electronic communications through approved communications methods found on Personal Devices are incorporated into HIC's, HSI's, and Capstone's overall communications surveillance program.

vii. A comprehensive review of the framework adopted by HIC, HSI, and Capstone to address instances of non-compliance by HIC, HSI, and Capstone employees with HIC's, HSI's, and Capstone's policies and procedures concerning the use of Personal Devices to communicate about HIC, HSI, and Capstone business in the past. This review shall include a survey of how HIC, HSI, and Capstone determined which employees failed to comply with HIC's, HSI's, and Capstone's policies and procedures, the corrective action carried out, an evaluation of who violated policies and why, what penalties were imposed, and whether penalties were handed out consistently across business lines and seniority levels.

d. HIC, HSI, and Capstone shall require that, within forty-five (45) days after completion of the review set forth in sub-paragraphs 35.c.i. through c.vii. above, the Compliance Consultant shall submit a detailed written report of its findings to HIC, HSI,

and Capstone, and to the Commission staff (the “Report”). HIC, HSI, and Capstone shall require that the Report include a description of the review performed, the names of the individuals who performed the review, the conclusions reached, the Compliance Consultant’s recommendations for changes in or improvements to HIC’s, HSI’s, and Capstone’s policies and procedures, and a summary of the plan for implementing the recommended changes in or improvements to HIC’s, HSI’s, and Capstone’s policies and procedures.

e. HIC, HSI, and Capstone shall adopt all recommendations contained in the Report within ninety (90) days of the date of the Report; provided, however, that within forty-five (45) days after the date of the Report, HIC, HSI, and Capstone shall advise the Compliance Consultant and the Commission staff in writing of any recommendations that HIC, HSI, and/or Capstone considers to be unduly burdensome, impractical, or inappropriate. With respect to any recommendation that HIC, HSI, and/or Capstone considers unduly burdensome, impractical, or inappropriate, HIC, HSI, and/or Capstone need not adopt such recommendation at that time, but shall propose in writing an alternative policy, procedure, or disclosure designed to achieve the same objective or purpose.

f. As to any recommendation concerning HIC’s, HSI’s, and Capstone’s policies or procedures on which HIC, HSI, and Capstone and the Compliance Consultant do not agree, HIC, HSI, and Capstone and the Compliance Consultant shall attempt in good faith to reach an agreement within sixty (60) days after the date of the Report. Within fifteen (15) days after the conclusion of the discussion and evaluation by HIC, HSI, and Capstone and the Compliance Consultant, HIC, HSI, and Capstone shall require that the Compliance Consultant inform HIC, HSI, and Capstone and the Commission staff in writing of the Compliance Consultant’s final determination concerning any recommendation that HIC, HSI, and/or Capstone consider to be unduly burdensome, impractical, or inappropriate. HIC, HSI, and Capstone shall abide by the determinations of the Compliance Consultant and, within sixty (60) days after final agreement between HIC, HSI, and Capstone and the Compliance Consultant or final determination by the Compliance Consultant, whichever occurs first, HIC, HSI, and Capstone shall adopt and implement all of the recommendations that the Compliance Consultant deems appropriate.

g. HIC, HSI, and Capstone shall cooperate fully with the Compliance Consultant and shall provide the Compliance Consultant with access to such of HIC’s, HSI’s, and Capstone’s files, books, records, and personnel as are reasonably requested by the Compliance Consultant for review.

h. HIC, HSI, and Capstone shall not have the authority to terminate the Compliance Consultant or substitute another compliance consultant for the initial Compliance Consultant, without the prior written approval of the Commission staff. HIC, HSI, and Capstone shall compensate the Compliance Consultant and persons engaged to assist the Compliance Consultant for services rendered under this Order at their reasonable and customary rates.

i. For the period of engagement and for a period of two years from completion of the engagement, HIC, HSI, and Capstone shall not (i) retain the Compliance Consultant for any other professional services outside of the services described in this Order; (ii) enter into any other professional relationship with the Compliance Consultant, including any employment, consultant, attorney-client, auditing or other professional relationship; or (iii) enter, without prior written consent of the Commission staff, into any such professional relationship with any of the Compliance Consultant's present or former affiliates, employers, directors, officers, employees, or agents acting in their capacity as such.

j. The Report by the Compliance Consultant will likely include confidential financial, proprietary, competitive business or commercial information. Public disclosure of the Report could discourage cooperation, impede pending or potential government investigations or undermine the objectives of the reporting requirement. For these reasons, among others, the Report and the contents thereof are intended to remain and shall remain non-public, except (1) pursuant to court order, (2) as agreed to by the parties in writing, (3) to the extent that the Commission determines in its sole discretion that disclosure would be in furtherance of the Commission's discharge of its duties and responsibilities, or (4) as otherwise required by law.

36. One-Year Evaluation. HIC, HSI, and Capstone shall each require the Compliance Consultant to assess HIC's, HSI's, and Capstone's program for the preservation, as required under the federal securities laws, of electronic communications, including those found on Personal Devices, commencing one year after submitting the Report required by Paragraph 35.d above. HIC, HSI, and Capstone shall require this review to evaluate HIC's, HSI's, and Capstone's progress in the areas described in Paragraph 35.c.i through 35.c.vii above. After this review, Huntington shall require the Compliance Consultant to submit a report (the "One Year Report") to each of HIC, HSI, and Capstone, and the Commission staff and shall ensure that the One Year Report includes an updated assessment of HIC's, HSI's, and Capstone's policies and procedures with regard to the preservation of electronic communications (including those found on Personal Devices), training, surveillance programs, and technological solutions implemented in the prior year period.

37. Reporting Discipline Imposed. For two years following the entry of this Order, HIC, HSI, and Capstone shall notify the Commission staff as follows upon the imposition of any discipline imposed by HIC, HSI, and Capstone, including, but not limited to, written warnings, loss of any pay, bonus, or incentive compensation, or the termination of employment, with respect to any employee found to have violated HIC's, HSI's, and Capstone's policies and procedures concerning the preservation of electronic communications, including those found on Personal Devices: at least 48 hours before the filing of a Form U-5, or within ten (10) days of the imposition of other discipline.

38. Internal Audit. In addition to the Compliance Consultant's review and issuance of the One Year Report, HIC, HSI, and Capstone will each also have its respective Internal Audit function conduct a separate audit(s) to assess HIC's, HSI's, and Capstone's progress in the areas

described in Paragraph 35.c.i through 35.c.vii above. After completion of this audit(s), HIC, HSI, and Capstone shall ensure that Internal Audit submits a report to each of HIC, HSI, and Capstone, and to the Commission staff.

39. Recordkeeping. HIC, HSI, and Capstone shall each preserve, for a period of not less than six (6) years from the end of the fiscal year last used, the first two (2) years in an easily accessible place, any record of compliance with these undertakings. HIC shall also preserve any record of compliance with these undertakings in an easily accessible place for a period of not less than five (5) years from the end of the fiscal year during which the entry was made on such record, the first two (2) years in an appropriate office of HIC.

40. Deadlines. For good cause shown, the Commission staff may extend any of the procedural dates relating to the undertakings. Deadlines for procedural dates shall be counted in calendar days, except that if the last day falls on a weekend or federal holiday, the next business day shall be considered to be the last day.

41. Certification. HIC, HSI, and Capstone shall each certify, in writing, compliance with the undertakings set forth above. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and Respondents agree to provide such evidence. The certification and supporting material shall be submitted to Amy S. Cotter, Assistant Regional Director, Division of Enforcement, Chicago Regional Office, 175 West Jackson Boulevard, Suite 1450, Chicago, Illinois 60604, or such other person as the Commission staff may request, with a copy to the Office of Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offers.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act as to HIC, HSI and Capstone and Sections 203(e) and 203(k) of the Advisers Act as to HIC, it is hereby ORDERED that:

- A. HIC, HSI, and Capstone cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rule 17a-4 thereunder.
- B. HIC cease and desist from committing or causing any violations and any future violations of Section 204 of the Advisers Act and Rule 204-2 thereunder.
- C. Respondents are censured.
- D. Respondents shall comply with the undertakings enumerated in paragraphs 34 to 41 above.

- E. Respondents shall, jointly and severally, within 14 days of the entry of this Order, pay a civil money penalty in the amount of \$1,250,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying HIC, HSI and Capstone as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Amy S. Cotter, Assistant Regional Director, Division of Enforcement, Chicago Regional Office, 175 West Jackson Boulevard, Suite 1450, Chicago, Illinois 60604.

F. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor

Action” means a private damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary