

**ADMINISTRATIVE PROCEEDING  
BEFORE THE  
SECURITIES COMMISSIONER OF SOUTH CAROLINA**

**IN THE MATTER OF:** )  
 )  
**Gary James Heady, Sr. a/k/a Gary J.** )  
**Heady (CRD# 2569444),** )  
 )  
**and** )  
 )  
**H I Management Services Inc. a/k/a H I** )  
**Management Services a/k/a HI** )  
**Management Services a/k/a H.I.** )  
**Management Services, Inc.** )  
**(IARD #152551)** )  
 )  
**Respondents.** )  
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**CONSENT ORDER**

**File No.: 20185857**

**I. PRELIMINARY STATEMENT**

Pursuant to the authority granted to the Securities Commissioner of South Carolina (the “Securities Commissioner”) under the South Carolina Uniform Securities Act of 2005 (the “Act”) and delegated to the Securities Division of the Office of the Attorney General (the “Division”) by the Securities Commissioner, the Division conducted an investigation (the “Investigation”) into the securities-related activities of Gary James Heady, Sr. a/k/a Gary J. Heady (CRD# 2569444) (the “Respondent Heady”), and his company, H I Management Services, Inc. a/k/a H I Management Services a/k/a HI Management Services a/k/a H.I. Management Services, Inc. (IARD #152551) (the “Respondent HI Management” or “HI Management”), hereinafter referred to individually or collectively as the Respondents.

Without admitting or denying the findings of fact and conclusions of law set forth below, except as to the jurisdiction of the Securities Commissioner over them and the subject matter of this proceeding, which are admitted, the Respondents expressly consent to the entry of this Consent

Order. The Respondents elect to permanently waive any right to a hearing and appeal under S.C. Code Ann. § 35-1-609, with respect to this Consent Order.

## **II. JURISDICTION**

1. The Securities Commissioner has jurisdiction over this matter pursuant to S.C. Code Ann. § 35-1-601(a).

## **III. RESPONDENT**

2. The Respondent Heady is a North Carolina resident with the last known address of 8 Lee Street, Ocean Isle Beach, North Carolina 28469.

3. The Respondent HI Management is a South Carolina corporation with the last known address of 105 Nine Alters Court, Irmo, South Carolina 29063.

## **IV. FINDINGS OF FACT**

4. From April 11, 2002, to December 4, 2014, the Respondent Heady was a registered investment adviser representative associated with HI Management.

5. The Respondent Heady is the sole owner of HI Management. The Respondent Heady is also HI Management's registered agent, Chief Compliance Officer, Chief Financial Officer, and Chief Operating Officer.

6. On December 3, 2014, the Division simultaneously entered into a Consent Order<sup>1</sup> with the Respondent Heady and a Censure Order with the Respondent HI Management<sup>2</sup> after an audit and investigation revealed that actions by the Respondents violated the Act (the Orders are

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<sup>1</sup> *In the matter of Gary James Heady, a/k/a Gary J. Heady, a/k/a HI Management Services – Consent Order as to Respondent Gary J. Heady*, File Number (Dec. 3, 2014) (<http://2hsvz0174ah31vgcm16peuy12tz.wpengine.netdna-cdn.com/wp-content/uploads/2011/03/Consent-as-to-Respondent-Heady-12.3.14-00499796xD2C78.pdf>).

<sup>2</sup> *In the matter of Gary James Heady, a/k/a Gary J. Heady, a/k/a HI Management Services – Censure of Respondent Gary James Heady, a/k/a Gary J. Heady, a/k/a HI Management Services*, File Number 13030 (Dec. 3, 2014) (<http://2hsvz0174ah31vgcm16peuy12tz.wpengine.netdna-cdn.com/wp-content/uploads/2011/03/Censure-of-Respondents-Heady-HI-Management-Services-12.3.14-00499800xD2C78.pdf>).

hereinafter individually referred to as the “2014 Consent Order” and the “2014 Censure Order” or collectively referred to as the “2014 Orders”), wherein the Respondents agreed to undertake certain actions contained therein and incorporated here.

7. The Division’s current Investigation revealed that the Respondents failed to fully comply with the terms of the 2014 Orders. Specifically, the Respondents did not (1) retain an independent consultant to conduct a compliance review of HI Management within thirty days of the 2014 Orders and ensure that such a review was conducted on a semi-annual basis for two years after the date of the execution of the 2014 Orders; (2) submit to the Division any reports and recommendations of an independent consultant; and (3) provide a copy of the 2014 Censure Order to any potential investment advisory clients prior to executing an advisory agreement for two years after the execution of the 2014 Censure Order. In addition, although the Respondents claim they provided a copy of the 2014 Censure Order to their then existing clients, the Investigation found no documentary evidence to support this claim.

8. The Division’s Investigation also revealed that the Respondent HI Management’s registration filings with the Division contained incomplete or incorrect information in violation of the Act, and, by extension, the prohibition on violating the Act contained in the 2014 Orders. Specifically, the Respondents’ filings with the Financial Industry Regulatory Authority, Inc. (“FINRA”), and the Form ADV Part 2A Disclosure Brochure (the “Brochure”) stated inaccurately that HI Management had retained a compliance consultant to conduct the compliance reviews required by the 2014 Censure Order. Further, HI Management’s Form ADV Part 1, Part 2, and Part 2A filings were missing information, or the information contained in these filings was incomplete or incorrect, including but not limited to the number and type of clients, the amount of assets under management, and the disclosure of the 2014 Censure Order.

9. The Division's Investigation also revealed that the financial statements submitted to the Division with HI Management's annual registration filings included a "goodwill" asset on its balance sheet in violation of the Act, and the regulations promulgated thereunder. Moreover, after removing the improper goodwill entry as an asset on the balance sheet, HI Management did not have the required net worth of \$35,000 to avoid the requirement of purchasing a \$35,000 surety bond. HI Management's failure to purchase timely a \$35,000 surety bond is a violation of the Act, and the regulations promulgated thereunder.

#### **V. CONCLUSIONS OF LAW**

10. The Respondents failed to comply fully with the 2014 Orders in violation of the Act and regulations promulgated thereunder, including S.C. Code Ann. §35-1-412(d)(2).

11. At the time of the Investigation, the Respondents' Form ADV filings were missing information, or the information contained in these filings was incomplete or incorrect in violation of the Act and regulations promulgated thereunder, including S.C. Code Ann. §35-1-406(b), §35-1-505, and S.C. Code of Regulations § 13-502(B).

12. The Respondents submitted financial statements to the Division, which violated the Act and regulations promulgated thereunder, including S.C. Code of Regulations § 13-406.

13. The Respondents failed to acquire timely a \$35,000 surety bond in violation of the Act and regulations promulgated thereunder, including S.C. Code of Regulations § 13-406.

14. The Respondents' violations of the Act set forth above provide the basis for this Order, pursuant to S.C. Code Ann. §35-1-604(a)(1).

15. This Order is in the public interest.

## **VI. ORDER**

The Securities Commissioner finds this Consent Order to be in the public interest.

Accordingly, it is hereby ORDERED that:

- A. The Respondents elect to permanently waive any right to a hearing and appeal under S.C. Code Ann. § 35-1-609, with respect to this Consent Order;
- B. The Respondents expressly consent and agree, that the Respondent Heady is BARRED from registering as a broker-dealer agent or investment adviser representative in South Carolina for a period of two years from the entry of this Order;<sup>3</sup>
- C. The Respondent HI Management, and every successor, affiliate, control person, agent, servant, and employee of HI Management, and every entity owned, operated, or indirectly or directly controlled by or on behalf of HI Management, will immediately cease and desist from violating the Act;
- D. Within thirty (30) days of the date of execution of this Order, the Respondent HI Management, and every successor, affiliate, or commonly controlled investment advisory business, will retain an independent compliance consultant to review its policies and procedures and documents pertaining to record keeping, suitability documentation, account opening forms, advisory agreements, fee schedules, fee computation methodologies, and other related compliance issues, and such reviews shall continue on an annual basis for a period of three years from the date of execution of this Order;
- E. Within sixty (60) days of the date of execution of this Order, the Respondent HI

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<sup>3</sup> Pursuant to the terms of the 2014 Orders, Respondent Heady will have to pay an additional civil penalty of \$5,000, if he decides to reapply for registration as an investment adviser representative after this two (2) year revocation.

Management, and every successor, affiliate, or commonly controlled investment advisory business, will submit to the Division a report and any and all recommendations submitted to it by the independent consultant;

- F. Within ten (10) business days of the date of execution of this Order, the Respondent HI Management will mail a copy of this Order to all advisory clients existing as of the date of this Order via Certified U.S. Mail or by similar means, whereby delivery of this Order can be tracked and verified;
- G. Within fifteen (15) business days of the date of execution of this Order, the Respondent HI Management will submit to the Division a copy of all mailing documentation confirming delivery of this Order to each advisory client existing as of the date of this Order;
- H. The Respondent HI Management, and every successor, affiliate, or commonly controlled investment advisory business will provide a copy of this Order to any potential investment advisory clients prior to executing an advisory agreement for a period of two years after the date of execution of this Order, and it will have each client sign a form acknowledging receipt of the Order, which will be retained at its principal business location;
- I. The Respondents agree to pay a civil penalty in the amount of five thousand dollars (\$5,000.00) to the Division, and they agree to pay five hundred dollars (\$500) to the Division for the costs associated with this investigation.

As part of this Consent Order the Respondents agree that they: (i) will not take any action or make or permit to be made any public statement denying, directly or indirectly, any allegation in this Consent Order or creating the impression that this Consent Order is without factual basis;

and (ii) will not make or permit to be made any public statement to the effect that the Respondents do not admit the allegations of this Consent Order, or that this Consent Order contains no admission of the allegations, without also stating that the Respondents do not deny the allegations. If the Respondents breach this agreement, the Securities Commissioner may vacate this Consent Order. Nothing in this paragraph affects the Respondents: (i) testimonial obligations; or (ii) right to take differing legal or factual positions in litigation or other legal proceedings.

This Consent Order should not be interpreted to waive any (i) criminal cause of action, (ii) private cause of action that may have accrued to investors, or (iii) other causes of action that may result from activities of the Respondent detailed herein.

IT IS SO ORDERED this 24 day of July, 2020.

By: Alan Wilson  
Alan Wilson  
Securities Commissioner  
State of South Carolina

Respondent H I Management Services Inc. a/k/a H I Management Services a/k/a HI Management Services a/k/a H.I. Management Services, Inc.

By: Gary James Heady  
Gary James Heady, Sr., Owner


Date: 6/29/20

Respondent Gary James Heady, Sr.

Gary James Heady  
Gary James Heady, Sr., Owner

Date: 6/29/20

South Carolina Attorney General's Office Securities Division:

By:   
Jonathan B. Williams  
Assistant Deputy Attorney General

Date: 6/29/20