

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number	3235-0123
Expires:	March 31, 2016
Estimated average burden hours per response...	12.00



15026028

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8-14715

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/14 AND ENDING 12/31/14
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Hornor Townsend & Kent, Inc.

OFFICIAL USE ONLY
FIRM ID NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

600 Dresher Road

(No. and Street)

Horsham

(City)

Pennsylvania

(State)

19044

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Charlie J. Ingulli Jr., CPA

(215) 956 - 7776

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report *

PricewaterhouseCoopers LLP

(Name -- if individual, state last, first, middle name)

Two Commerce Square Suite 1700

(Address)

Philadelphia

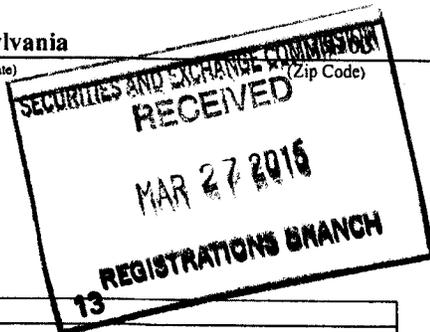
(City)

Pennsylvania

(State)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions



FOR OFFICIAL USE ONLY

* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.

4/6/2015
KW

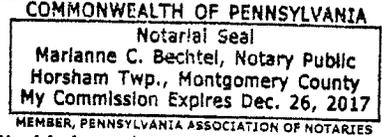
OATH OR AFFIRMATION

I, Michelle A. Barry, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Hornor Townsend & Kent, Inc., as of December 31, 2014, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Michelle A. Barry
Signature

CEO/President
Title

Marianne C. Bechtel
Notary Public



This report ** contains (check all applicable boxes)

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

** For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



Report of Independent Registered Public Accounting Firm

To the Management of Hornor, Townsend & Kent, Inc.:

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Hornor, Townsend & Kent, Inc. at December 31, 2014, in conformity with accounting principles generally accepted in the United States of America. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit of this statement in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 26, 2015



Hornor, Townsend & Kent, Inc.
Consolidated Statement of Financial Condition
As of December 31, 2014

Assets

Cash and cash equivalents	\$ 8,186,714
Restricted cash	250,000
Deposits with clearing organizations	70,029
Receivables from brokers/dealers and clearing organizations	1,665,027
Commissions receivable	1,398,481
Equipment and capitalized software, at cost (net of accumulated depreciation and amortization of \$ 271,599)	1,722,505
Prepaid expenses	988,622
Federal tax receivable from Parent	34,745
Other assets	392,211
Total assets	\$ 14,708,334

Liabilities and Stockholder's Equity

Liabilities

Commissions payable	\$ 3,333,271
Accounts payable and accrued expenses	779,550
Payable to Parent	637,534
Deferred tax liability, net	44,662
Total liabilities	4,795,017

Stockholder's Equity

Common stock, \$1.00 par value; 1,000 shares authorized, issued and outstanding	1,000
Additional paid-in capital	33,158,264
Accumulated deficit	(23,245,947)
Total stockholder's equity	9,913,317
Total liabilities and stockholder's equity	\$ 14,708,334

Honor, Townsend & Kent, Inc.
Notes to Consolidated Statement of Financial Condition
As of December 31, 2014

1. Organization and Basis of Presentation

Honor, Townsend & Kent, Inc. (the "Company") is an introducing broker-dealer registered with the Securities and Exchange Commission ("SEC"), a member of the Financial Industry Regulatory Authority, the Depository Trust Clearing Corporation and the National Securities Clearing Corporation. The Company is a wholly owned subsidiary of The Penn Mutual Life Insurance Company ("Penn Mutual" or "Parent"). The Company has one wholly owned subsidiary, HTK Insurance Agency, Inc. that is inactive. The Company selects, trains, and supervises personnel of Penn Mutual and independent registered representatives in connection with the sale of registered products.

As of December 31, 2014, the Company had an accumulated deficit of \$23,245,947. To the extent that sufficient capital is not generated through the Company's normal operating activities, Penn Mutual would provide any incremental capital to fund the Company's ongoing business. Penn Mutual has provided the Company with an ongoing support letter through March 31, 2016.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements are prepared in conformity with accounting principles generally accepted in the United States.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market instruments with original maturities of three months or less.

Restricted Cash

Restricted Cash represents cash in a bank account established for the benefit of customers.

Deposits with Clearing Organizations

Deposits with clearing organizations include \$50,000 in deposits with Pershing LLC, the Company's clearing organization and \$20,029 with the Depository Trust Clearing Corporation.

Receivable from Broker/Dealers and Clearing Organization

Receivable from broker/dealers and clearing organization contains a receivable from Pershing, LLC in the amount of \$850,760 at December 31, 2014. The Company clears certain of its customer transactions through Pershing, LLC on a fully disclosed basis. The amount receivable from the clearing broker relates to commissions and other fees earned for the aforementioned transactions. It also contains a 12b-1 receivable related to various mutual fund carriers for \$613,480 for business processed directly with those carriers.

The accompanying notes are an integral part of these financial statements.
[REDACTED] rule 17a 5(e)(3) requested

Hornor, Townsend & Kent, Inc.
Notes to Consolidated Statement of Financial Condition
As of December 31, 2014

Equipment and Capitalized Software

Equipment and capitalized software is carried at depreciated or amortized cost. Equipment is depreciated on a straight line basis over a three year period. Capitalized software consists primarily of costs related to the firm's implementation of certain operational and financial systems. Costs related to planning and analysis have been expensed. Development costs incurred during the design, construct and testing phases have been capitalized and will be amortized over the lesser of the estimated useful life or five years on a straight line basis, once deployed.

Federal Income Taxes

The Company files a consolidated federal income tax return with its Parent. Federal income taxes are charged or credited to operations based upon amounts estimated to be payable or recoverable as a result of taxable operations for the current year. Beginning in 2014, the Company modified the tax sharing agreement with its Parent. In connection with this agreement, the Company will pay its federal tax liability computed on a separate return basis or receive a refund of income taxes for net operating losses actually used to reduce the tax liability of the Parent's consolidated income tax return. Deferred income tax assets and liabilities are established to reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred tax assets or liabilities are measured by using the enacted tax rates expected to apply to taxable income in the period in which the deferred tax liabilities or assets are expected to be settled or realized.

Broker Loan

The Company provided a registered representative with a loan as part of the Company's recruiting and retention strategy for this key revenue producing representative. The remaining balance of the loan was repaid through bonuses in 2014.

3. Valuation of Company Assets

Fair Value Measurements

The Company's financial instruments recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used by the Company to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities without adjustment.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company does not hold any assets carried at fair value in Level 2 assets.

The accompanying notes are an integral part of these financial statements.
[REDACTED] rule 17a 5(e)(3) requested

Honor, Townsend & Kent, Inc.
Notes to Consolidated Statement of Financial Condition
As of December 31, 2014

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Carrying Amount
Financial Assets				
Cash	\$ 4,437,324	\$ -	\$ -	\$ 4,437,324
Restricted cash for the exclusive benefit of customers	250,000	-	-	250,000
Deposits with clearing organizations	-	70,029	-	70,029
Receivables from brokers/dealers and clearing organizations	-	1,665,027	-	1,665,027
Commissions receivable	-	-	1,398,481	1,398,481
Total	\$ 4,687,324	\$ 1,735,056	\$ 1,398,481	\$ 7,820,861
Financial Liabilities				
Commissions payable	\$ -	\$ -	\$ 3,333,271	\$ 3,333,271
Accounts payable and accrued expenses	-	-	779,550	779,550
Total	\$ -	\$ -	\$ 4,112,821	\$ 4,112,821

4. Related Party Transactions

The Company supports Penn Mutual's professional agents and financial advisors and sells Penn Mutual Variable Life and Variable Annuity Products.

Under the terms of an expense allocation agreement, the Company reimbursed Penn Mutual for services provided on behalf of the Company, including direct and allocated expenses.

As a marketing allowance, the Company pays an 87% ratio of commission expense on commission revenue. Commission Revenue is defined as Commissions from sale of investment company shares, variable insurance products and securities and fee income from investment advisory and asset management. After commissions are paid to registered representatives the residual amount is paid to Penn Mutual.

As of December 31, 2014, the Company had a payable of \$637,534 to Penn Mutual resulting from related party transactions.

The accompanying notes are an integral part of these financial statements.
[REDACTED] to rule 17a 5(e)(3) requested

Hornor, Townsend & Kent, Inc.
Notes to Consolidated Statement of Financial Condition
As of December 31, 2014

5. Credit Risk

The Company clears approximately 21% of their securities transactions through a clearing broker. Accordingly, a substantial portion of the Company's credit exposures are concentrated with their clearing broker. In accordance with industry practice, the clearing agent records customer transactions on a settlement-date basis, which is generally three business days after trade date. The clearing agent is therefore exposed to risk of loss on these transactions in the event of a customer's inability to meet the terms of their contracts, in which case the clearing agent may have to purchase or sell the underlying financial instruments at prevailing market prices. Any loss incurred by the clearing agent, on behalf of a customer of the Company, is charged to the Company.

The Company seeks to control the risk of loss by requiring customers to maintain margin collateral in compliance with various guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, require the customer to deposit additional collateral or to reduce positions when necessary. At December 31, 2014, total margin debt extended by the clearing broker was \$4,581,599. Collateral held at clearing broker in connection with these transactions was \$18,298,625 at December 31, 2014.

6. Income Taxes

Deferred income taxes reflect the impact for financial statement reporting purposes of temporary differences between the financial statement carrying values and tax basis of assets and liabilities. The significant temporary difference that give rise to the deferred tax liability at December 31, 2014 relate to capitalized software of \$ 44,662.

The Company does not have a current net operating loss (NOL) as a part of its deferred inventory as the Parent reimburses the Company for its tax benefit pursuant to the tax sharing agreement. The Company files a consolidated federal income tax return with its parent, Penn Mutual. Each subsidiary's tax liability or refund is accrued on a separate company basis. Penn Mutual reimburses subsidiaries for losses utilized in the consolidated return based on inter-company tax allocation agreements.

The Company recognizes interest and penalties, if related to unrecognized tax benefits, as a component of tax expense. During the year ended December 31, 2014, the Company did not recognize or accrue any interest or penalties. There were no unrecognized tax benefits as of December 31, 2014.

The Internal Revenue Services ("IRS") has completed their examination of Penn Mutual's consolidated income tax returns through the year 2005. Tax years 2006 through 2010 are under review. The Company does not expect any adjustments from this review that would be material to its financial statements.

The accompanying notes are an integral part of these financial statements.
[REDACTED] 7a 5(e)(3) requested

Hornor, Townsend & Kent, Inc.
Notes to Consolidated Statement of Financial Condition
As of December 31, 2014

7. Employee Benefit Plan

Pension Plan

Certain employees of the Company are covered under Penn Mutual's funded defined benefit pension plan. Penn Mutual's policy is to fund qualified pension costs in accordance with the Employee Retirement Income Security Act of 1974. Penn Mutual may increase its contribution above the minimum based upon an evaluation of the Penn Mutual's tax and cash positions and the plan's funded status.

Penn Mutual approved the freezing of benefits under its qualified pension plans effective December 31, 2005. Therefore no further benefits are accrued for participants.

Other Retirement and Post Employment Benefits

The Company provides, through Penn Mutual, certain life insurance and health care benefits for its retirement employees, their beneficiaries and covered dependents.

Defined Contribution Plan

Substantially all the employees of the Company are covered by Penn Mutual's defined contribution plan. Designated contributions of up to 6% of annual compensation are eligible to be matched by the Company. Payments are made regularly throughout the year.

8. Commitments and Contingencies

The Company leases its office from Penn Mutual under a non-cancelable operating lease expiring March 31, 2015. The Company expects to renew the lease upon expiration.

At December 31, 2014, aggregate minimum rental commitments under all non-cancelable leases through March 31, 2015 were \$26,202.

The Company is involved in litigation arising in and out of the normal course of business. In addition, the regulators within the brokerage industry continue to focus on market conduct and compliance issues. The Company would establish a provision for estimated losses from pending complaints, legal actions, investigations and proceedings when fully analyzed, indicates it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. The ultimate costs of litigation-related charges can vary significantly from period to period, depending on such factors as market conditions, the size and volume of customer complaints and claims and recoveries from indemnification, contribution or insurance reimbursements. As of December 31, 2014, the Company does not have a recorded liability related to these matters.

The accompanying notes are an integral part of these financial statements.
[REDACTED] rule 17a 5(e)(3) requested

Honor, Townsend & Kent, Inc.
Notes to Consolidated Statement of Financial Condition
As of December 31, 2014

9. Concentrations

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of bank deposits and money market funds. The Company maintains cash balances with financial institutions that exceed the federally insured limit of \$250,000 per institution. The Company also maintains money market funds that are not federally insured. Management of the Company believes it has adequately mitigated this risk by only investing in or through major financial institutions.

10. Equipment and Capitalized Software, at cost

Equipment	\$ 81,830
Capitalized software	1,912,274
	<u>1,994,104</u>
Less: Accumulated depreciation and amortization	(271,599)
Equipment and Capitalized Software, net	<u>1,722,505</u>

11. Net Capital Requirements

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule under Rule 15c3-1 of Securities Exchange Act of 1934. The Company computes its net capital requirement using the basic method of computation. Under this method, the Company's requirement may not be less than 6% of aggregate indebtedness or \$250,000 whichever is greater. The regulations also require that the ratio of aggregate indebtedness to net capital not to exceed 15 to 1. At December 31, 2014, the Company had net capital of \$6,303,550 which was \$5,986,541 in excess of its requirement of \$317,009. The Company's aggregate Indebtedness to Net Capital Ratio was .75 to 1. The Company claims the exemption provision of SEC Rule 15c3-3(k)(2)(ii).

12. Subsequent Events

Management has evaluated the events and transactions that have occurred through February 26, 2015, the date the financial statements were issued, and noted no items requiring adjustment of the financial statements or additional disclosures.

The accompanying notes are an integral part of these financial statements.
[REDACTED] rule 17a 5(e)(3) requested