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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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

SEC FILE NUMBER
8-66096

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 1/1/2020 AND ENDING 12/31/2020  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Hines Securities, Inc.**

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

OFFICIAL USE ONLY
FIRM I.D. NO.

**2800 Post Oak Blvd. Suite 4700**

(No. and Street)

**Houston**

**TX**

**77056**

(City)

(State)

(Zip Code)

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

**Debbie Prosperie 713-966-7808**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Deloitte & Touche LLP**

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

**1111 Bagby, Suite 4500**

**Houston**

**TX**

**77002**

(Address)

(City)

(State)

(Zip Code)

**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 the exemption. See Section 240.17a-5(e)(2)*

Potential persons who are to respond to the collection of  
information contained in this form are not required to respond  
SEC 1410 (06-02) unless the form displays a currently valid OMB control number.

**AFFIRMATION**

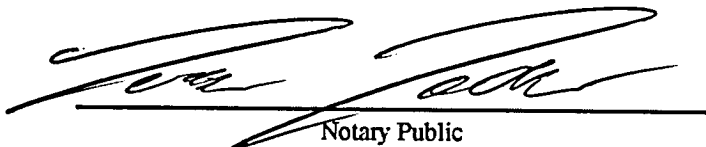
I, Debbie Prosperie, affirm that, to the best of my knowledge and belief the accompanying financial statements and supplemental schedules pertaining to Hines Securities, Inc. (the "Company") as of and for the year ended December 31, 2020, are true and correct. I further affirm that neither the Company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.

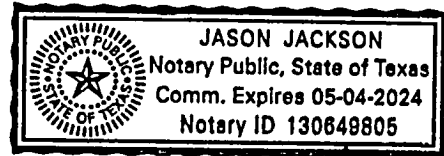
  
\_\_\_\_\_  
Signature

March 5, 2021

\_\_\_\_\_  
Date

Financial Operations Principle

  
\_\_\_\_\_  
Notary Public



This report \*\* contains (check all applicable boxes):

- Report of Independent Registered Public Accounting Firm
- (a) Facing Page
- (b) Statement of Financial Condition
- (c) Statement of Operations
- (d) Statement of Cash Flows
- (e) Statement of Changes in Stockholders' Equity
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors
- ( ) Notes to Financial Statements
- (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934
- (h) Computation for Determination of Reserve Requirements for Brokers and Dealers 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 (filed concurrently herewith as a separate document)
- (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).



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## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Stockholder and the Board of Directors of Hines Securities, Inc.

### **Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Hines Securities, Inc. (the "Company") as of December 31, 2020, and the related statements of operations, cash flows, and changes in stockholder's equity for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Report on Supplemental Schedules**

The supplemental schedules g, h, and i listed in the accompanying table of contents have been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. The supplemental schedules are the responsibility of the Company's management. Our audit procedures included determining whether the supplemental schedules reconcile to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedules. In forming our opinion on the supplemental schedules, we evaluated whether the supplemental schedules, including their form and content, are presented in compliance with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, such schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

March 5, 2021

We have served as the Company's auditor since 2004.

**HINES SECURITIES, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**AS OF DECEMBER 31, 2020**

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**ASSETS**

CASH	\$ 14,851,389
DUE FROM AFFILIATES	675,588
FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS — Net of accumulated depreciation of \$872,310	30,572
PREPAID EXPENSES	<u>1,034,106</u>
<b>TOTAL</b>	<b><u>\$ 16,591,655</u></b>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**LIABILITIES:**

Accounts payable	\$ 868,422
Accrued expenses	4,899,405
Deferred compensation	5,251,787
Due to affiliates	<u>97,667</u>
<b>Total liabilities</b>	<b><u>\$ 11,117,281</u></b>

**COMMITMENTS AND CONTINGENCIES (Note 4)**

**STOCKHOLDER'S EQUITY:**

Common stock, \$0.01 par value authorized, 10,000 shares; issued and outstanding, 9,783 shares	98
Additional paid-in capital	136,935,902
Accumulated deficit	<u>(131,461,626)</u>
<b>Total stockholder's equity</b>	<b><u>5,474,374</u></b>

<b>TOTAL</b>	<b><u>\$ 16,591,655</u></b>
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See notes to financial statements.

**HINES SECURITIES, INC.**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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**REVENUES:**

Sales commissions	\$ 11,607,198
Dealer manager fees	1,151,056
Recoveries of organizational and offering costs	4,789,733
Placement agent fees and recoveries	<u>1,213,245</u>
Total revenues	<u>18,761,232</u>

**EXPENSES:**

Salaries and wages	22,191,035
General and administrative	5,555,310
Legal and other professional fees	1,545,834
Travel, meals, and entertainment	633,989
Marketing	1,765,567
Commissions to selling broker-dealers	10,783,768
Marketing fees to selling broker-dealers	2,170,464
Depreciation expense	<u>6,464</u>
Total expenses	<u>44,652,431</u>

**NET LOSS** \$ (25,891,199)

See notes to financial statements.

**HINES SECURITIES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net loss	\$ (25,891,199)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation expense	6,464
Change in operating assets and liabilities:	
Decrease in due from affiliates	276,027
Decrease in prepaid expense	100,338
Decrease in accounts payable	(161,419)
Increase in accrued expenses	2,759,106
Decrease in deferred compensation	(2,291,715)
Decrease in due to affiliates	<u>(249,590)</u>
Net cash used in operating activities	(25,451,988)

**CASH FLOWS FROM FINANCING ACTIVITIES — Capital  
contributions**

24,400,000

**NET DECREASE IN CASH**

(1,051,988)

**CASH — Beginning of year**

15,903,377

**CASH — End of year**

\$ 14,851,389

See notes to financial statements.

**HINES SECURITIES, INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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	<u>Common Stock</u>		Additional Paid-In Capital	Accumulated Deficit	Total Stockholder's Equity
	Shares	Amount			
BALANCE – January 1, 2020	9,783	\$ 98	\$ 112,535,902	\$(105,570,427)	\$ 6,965,573
Capital contributions	—	—	24,400,000	—	24,400,000
Net loss	—	—	—	(25,891,199)	(25,891,199)
BALANCE - December 31, 2020	<u>9,783</u>	<u>\$ 98</u>	<u>\$ 136,935,902</u>	<u>\$(131,461,626)</u>	<u>\$ 5,474,374</u>

See notes to financial statements.

**HINES SECURITIES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

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**1. NATURE OF OPERATIONS**

Hines Securities, Inc. (the "Company"), was incorporated in the state of Delaware in June 2003 in compliance with the broker-dealer registration requirements imposed by Rule 3b-9 of the Securities Exchange Act of 1934, and was granted membership with the Financial Industry Regulatory Authority ("FINRA") on January 7, 2004. The Company is a wholly owned subsidiary of Hines Securities Manager LLC. The Company was formed for the purpose of serving as the dealer-manager for marketing and distributing non-traded real estate products sponsored by Hines Interests Limited Partnership ("HILP"), an affiliate of the Company, and certain of its affiliates including Hines Global REIT, Inc. ("Global REIT"), Hines Global Income Trust, Inc. f/k/a Hines Global REIT II, Inc. ("HGIT"), HMS Income Fund, Inc. ("HMS"), Hines Realty Income Fund LLC ("HRIF"), Hines Sentio Senior Living Opportunity Fund LP ("Sentio"), Chapel Street Residences LLC ("Chapel Street") and Hyattsville Qualified Opportunity Fund LLC ("Hyattsville"). In July 2012, FINRA approved the Company's request to amend its membership agreement to allow the Company to act as a dealer manager on a best-efforts basis for business development companies sponsored by Hines.

On August 5, 2009, Global REIT commenced its initial public offering, pursuant to which it offered a maximum of \$3.5 billion in common shares. The initial Global REIT offering was terminated on January 30, 2013. On February 4, 2013, Global REIT commenced its second public offering, pursuant to which it offered a maximum of \$2.5 billion in common shares. The second Global REIT offering ceased accepting new sales of shares on April 11, 2014 but continued to allow shareholders to reinvest dividends for additional shares through the dividend reinvestment plan as a part of the second offering. On July 17, 2018, Global REIT shareholders approved a plan of liquidation and distribution pursuant to which Global REIT will sell all or substantially all their assets and be dissolved. As of December 31, 2020, the Global REIT liquidation plan remained in process.

On August 20, 2014, HGIT commenced its initial public offering, pursuant to which it offered a maximum of \$2.5 billion in common shares. The initial HGIT offering suspended the sale of shares on September 30, 2017 but continued to allow shareholders to reinvest dividends through the dividend reinvestment plan. On January 5, 2018, HGIT commenced its follow-on offering, pursuant to which it offered a maximum of \$2 billion in common shares. The follow-on changed the product from a finite-life REIT to a non-exchange traded REIT with no targeted liquidity window.

On June 4, 2012, HMS commenced its initial public offering pursuant to which it offered a maximum of \$1.5 billion in common shares. The initial HMS offering terminated on December 1, 2015. On January 5, 2016, HMS commenced its follow-on offering pursuant to which it offered a maximum of \$1.5 billion in common shares. HMS follow-on offering ceased accepting new shares on September 30, 2017. Dividends were suspended on June 29, 2020.

In July of 2017, HRIF commenced a private offering pursuant to which it offered an aggregate amount of \$200 million in interests. The offering ceased accepting new sales on December 31, 2019.

In August 2019, Sentio commenced a private offering pursuant to which it is offering an aggregate amount of \$200 million of units in the fund. The fund suspended the offering August 3, 2020, due to uncertainty surrounding the global Coronavirus pandemic.

In February 2020, Chapel Street commenced its private placement offering, pursuant to which it offered a maximum of \$34.1 million in interests to accredited investors. The offering fully subscribed and closed on July 17, 2020.

In November 2020, Hyattsville commenced its private placement offering, pursuant to which it offered a maximum of \$40.7 million in interests to accredited investors. The offering fully subscribed and closed on December 29, 2020.

**Going Concern** — The accompanying financial statements are prepared in accordance with generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company has experienced operating losses and negative cash flows over the past several years and expects such losses and negative cash flows to continue in 2021 and future years. As a result, the Company does not have sufficient cash on hand or available liquidity to meet its obligations as they become due. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern.

In response to these conditions, the Company has a commitment from HILP to provide the Company with the necessary funding through its affiliates, Hines Securities Manager LLC and/or Hines Retail Securities, Inc., to enable the Company to meet its obligations as they become due and to continue as a going concern for at least one year following the date the financial statements are issued. As a result, the Company has concluded that management's plans are probable of being achieved to alleviate substantial doubt about the Company's ability to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation** — The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

**Due From Affiliates** — Due from affiliates includes amounts related to organizational and offering cost reimbursements (see below), as well as other support services due from Global REIT, HGIT, HMS, HRIF and Sentio at December 31, 2020; of \$4,475; \$469,969; \$4,475; \$4,475; and \$5,745 respectively.

Also included in due from affiliates are amounts due from HILP for expense reimbursements related to identifying placement agent activities totaling \$186,449 at December 31, 2020 (see Note 3).

**Furniture and Equipment** — Furniture and equipment comprise communications and technical equipment, furniture, and fixtures and are carried at cost, less accumulated depreciation and amortization. Depreciation of furniture and equipment is calculated on a straight-line basis using an estimated useful life of seven years.

**Revenue Recognition** — The Company has a single performance obligation to market and sell shares or units offered by the entity for which an agreement exists. Consequently, sales commissions and dealer-manager fees are recognized as of the date the common shares are sold (see Note 3). For trail commissions, the Company has concluded the estimate of these future commissions is constrained because the amount may vary significantly based on customer behavior and the value of the underlying shares or units, among other factors. Therefore, the trail fee commissions revenue is recorded when the account values become fixed and determinable. A portion of trail fee commissions are recognized on a monthly basis with the remaining revenue recognized as the fees are earned for a period up to five years on T Shares, and up to 35 years on D Shares. Placement agent fees are recognized on a monthly basis (see Note 3). Recoveries of organizational and offering costs and other recoveries are recognized as the related expenses are incurred (see below). Recoveries of expenses associated with private placement activity are recognized once the offering closes (see Note 3).

**Segment Reporting** — The Company operates as one reportable business segment. This one reportable segment is the marketing and distribution of non-traded real estate investment securities and related products.

**Financial Instruments-Credit Losses** — In June 2016, the FASB issued ASU No. 2016-13, which introduces a new accounting model, referred to as the current expected credit losses ("CECL") model, for estimating credit losses on certain financial instruments and

expands the disclosure requirements for estimating such credit losses. This standard is effective for the Company on January 1, 2020. The adoption of the standard did not have an impact on the financial statements of the Company.

**Recoveries of Organizational and Offering Costs** — During 2020, the Company incurred and paid for certain organizational and offering costs on behalf of Global REIT, HGIT, HRIF, Sentio, Chapel Street, and Hyattsville ("the Funds").

The Company is reimbursed for these expenses on a monthly basis by the Funds. The Company was reimbursed at the end of the offerings for Chapel Street and Hyattsville. These costs consist of legal, accounting, printing, marketing, and certain other offering-related expenses and are recorded in various expense accounts, and the related reimbursements are included in recoveries of organizational and offering costs in the accompanying statement of operations.

**Income Taxes** — The Company has elected to be treated as an S Corporation for federal income tax purposes under which its taxable income or loss is included in the tax return of its owner. Accordingly, there is no provision for federal income taxes reported in the statement of operations. State franchise taxes that are based on income are included in general and administrative expenses in the accompanying statement of operations.

**Use of Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes management's estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Prepaid Expenses** — Prepaid expenses consist primarily of insurance and software licenses, which are being amortized over the life of their respective contracts.

**Accrued Expenses** — Accrued expenses primarily consist of bonuses, vacation, internal commissions, and external sales commissions (see Note 4).

**Deferred Compensation** — Deferred compensation primarily consists of employee equity programs (see Note 4).

**Due to Affiliates** — Due to affiliates comprises amounts due to HGIT related to organizational and offering cost reimbursements (see above), as well as various other support services (see Note 3).

**Subsequent Events** — The Company has evaluated subsequent events through March 5, 2021, the date the financial statements were issued.

### 3. RELATED-PARTY TRANSACTIONS

**Dealer-Manager Agreement — HGIT** — On December 6, 2017, the Company entered into a dealer-manager agreement ("DMA") with HGIT. The HGIT DMA provides for payment to the Company of selling commissions in the amount of up to 3.0% of the gross offering proceeds of the Class T Shares sold in the primary offering, all or a portion of which may be reallocated to Dealers. The HGIT DMA further provides for payments to the Company of selling commissions in the amount of up to 3.5% of the gross offering proceeds of the Class S Shares sold in the primary offering, all or a portion of which may be reallocated to selling broker dealers ("Dealers"). In addition, the Company shall be paid a dealer manager fee in the amount of up to 0.50% of the gross offering proceeds of the Class T Shares sold in the primary offering. All or a portion of the dealer manager fee may be paid by the Company to Dealers. No selling commissions or dealer manager fees shall be paid to the Company with respect to the sale of Class D Shares and Class I Shares or with respect to Class T Shares, Class S Shares, Class D Shares and Class I Shares sold pursuant to the HGIT distribution reinvestment plan.

In addition, the HGIT DMA provides for payment to the Company of a distribution and stockholder servicing fee in an annual amount equal to 1.0% of the aggregate NAV of the outstanding Class T Shares, 1.0% of the aggregate NAV of the outstanding Class S Shares and 0.25% of the aggregate NAV of the outstanding Class D Shares, which will accrue monthly and be payable monthly in arrears with a cap of up to 8.75%. No distribution and stockholder servicing fees shall be paid to the Company with respect to Class I Shares. The Company may reallocate or advance the distribution and stockholder servicing fees to the Dealers who sold the Class T Shares, Class S Shares or Class D Shares giving rise to such distribution and stockholder servicing fees, respectively, to the extent the Selected Dealer Agreement with such Dealer provided for such payment. Notwithstanding the foregoing, if the Company is notified that the Dealer who sold such Class T Shares, Class S Shares or Class D Shares, respectively, is no longer the broker-dealer of record with respect to such Class T Shares, Class S Shares or Class D Shares, then such Dealer's entitlement to the distribution and stockholder servicing fees related to such Class T Shares, Class S Shares or Class D Shares shall cease, and such Dealer shall not receive the distribution and stockholder servicing fees for any portion of the month in which such Dealer is not the broker-dealer of record on the last day of the month; provided, however, if the change in the broker-dealer of record with respect to such Class T Shares, Class S Shares or Class D Shares is made in connection with a change in the registration of record for such Class T Shares, Class S Shares or Class D Shares on the Global Income Fund's books and records (including, but not limited to, a re-registration due to a sale or a transfer or a change in the form of ownership of the account), then such Dealer shall be entitled to a pro rata portion of the distribution and stockholder servicing fees related to such Class T Shares, Class S Shares or Class D Shares, respectively, for the portion of the month for which such Dealer

was the broker-dealer of record. Thereafter, such distribution and stockholder servicing fees may be paid by the Company to the then current broker-dealer of record with respect to the Class T Shares, Class S Shares or Class D Shares, if any, if such broker-dealer of record has entered into a Selected Dealer Agreement with the Company that provides for such payment. In this regard, all determinations will be made by the Company in good faith in its sole discretion.

The Company recorded dealer manager fees in the statement of operations for the year ended December 31, 2020 in the amount of \$576,265.

**Dealer-Manager Agreement — HRIF** — The Company entered into a DMA with HRIF for the marketing of common shares being offered pursuant to the HRIF offering on July 31, 2017. The HRIF DMA expired on December 31, 2019. The Company received dealer manager fees for sales closing in January 2020.

The HRIF DMA for the HRIF offering provided that HRIF pay the Company selling commissions in an amount up to 5% of the gross proceeds of the Class A common shares sold pursuant to the offering, of which all or a portion may be reallocated to selling broker-dealers (see Note 4). The HRIF DMA also provided that HRIF pay the Company a dealer-manager fee in the amount of up to 1.5% of the gross proceeds of Class A Shares and Class R Shares which all or a portion of the 1.5% may be allowed to selected broker-dealers.

The Company recorded dealer manager fees in the statement of operations for the year ended December 31, 2020 in the amount of \$12,000.

**Dealer-Manager Agreement — Hines Sentio**— The Company entered into a DMA with Hines Sentio for the marketing of limited partner interests being offered pursuant to the Hines Sentio initial offering on August 15, 2019. The Hines Sentio DMA will expire upon termination of the initial offering. The Hines Sentio DMA may be terminated early by either party upon 60 days' written notice or may be terminated immediately by Hines Sentio or the Company under certain circumstances.

The Hines Sentio DMA for the Hines Sentio initial offering provides that Hines Sentio pay the Company selling commissions in an amount up to 6% of the gross proceeds of the Class A units sold pursuant to the offering, of which all or a portion may be re-allowed to selling broker-dealers (see Note 4). The Hines Sentio DMA also provides that Hines Sentio pay the Company a dealer-manager fee in the amount of up to 2.5% of the gross proceeds of Class A units and Class R units which all or a portion may be allowed to selected broker-dealers.

The Company recorded dealer manager fees in the statement of operations for the year ended December 31, 2020 in the amount of \$212,754.

**Dealer-Manager Agreement — Chapel Street** — The Company entered into a DMA with Chapel Street for the purpose of selling LLC units on March 2, 2020. The Chapel Street DMA provided that Chapel Street pay the Company up to 5% of the investor's subscription amount. This included a selling commission of 4% and a marketing support fee of 1%. The Chapel Street DMA also allowed HMF to pay the Company 2.5% of gross proceeds from the offering as reimbursement to the Company for costs and expenses related to the offering.

The Company recorded dealer manager fees in the statement of operations for the year ended December 31, 2020 in the amount of \$268,614.

**Dealer-Manager Agreement — Hyattsville** — The Company entered into a DMA with Hyattsville for the purpose of selling LLC units on December 7, 2020. The Hyattsville DMA provided that Hyattsville pay the Company up to 3.2% of the investor's subscription amount. This included a selling commission of 3% and a marketing support fee of .2%. Hyattsville also paid the Company 2% of proceeds net of upfront sales load as reimbursement to the Company for costs and expenses related to the offering.

The Company recorded dealer manager fees in the statement of operations for the year ended December 31, 2020 in the amount of \$81,423.

**Intercompany Services Agreement** — On January 1, 2019, the Company entered into an intercompany services agreement with HILP related to certain services that HILP and its affiliates have agreed to perform for the Company. The agreement automatically renews for successive one-year periods on January 1 of each year and may be terminated upon at least 30 days' prior written notice from either party to the other.

These services include, but are not limited to, information technology support, internal audit, cash management, risk management, accounting and tax, corporate communications, payroll and human resources, office space, and other corporate services. The fees for these services are agreed upon prior to the service being completed and are billed and paid no less than quarterly. For the year ended December 31, 2020, \$1,413,562 was included in general and administrative expense, and approximately \$378,880 was included in salaries and wages in the accompanying statement of operations related to these services.

**Placement Agent Agreements** — The Company has entered into a Placement Agent Agreement and a Placement Agent Compensation Agreement with HILP. Pursuant to these agreements, the Company acts as a placement agent in connection with the offering and sale of interests of certain private investment funds sponsored by HILP.

The Company receives a monthly placement agent fee and reimbursement of actual costs incurred by the Company in performing its duties under the agreements. Such fees and

reimbursements, totaling \$30,000 and \$1,183,245, respectively, for the year ended December 31, 2020, are included in placement agent fees and recoveries in the accompanying statement of operations.

**Capital Contributions** — During the year ended December 31, 2020, the Company received capital contributions of \$24.4 million from Hines Securities Manager LLC to assist with funding its operations.

#### 4. COMMITMENTS AND CONTINGENCIES

**Selected Dealer Agreements** — The Company has entered into selected dealer agreements with certain selling broker-dealers to market and distribute the common shares, interests or units being offered pursuant to the HGIT offering, the HMS private offering, the Sentio private offering and Chapel Street and Hyattsville private placement offerings. The selected dealer agreements expire on the date that the respective offerings are terminated. The offer and sale of shares, interests or units under the selected dealer agreements can be suspended or terminated at any time at the request of the Company. The selected dealer agreements may be terminated by either party after they have been given written notice. (see Note 3)

**Employee Long-Term Incentive Plan** — Effective January 1, 2004, the Company formed the Long-Term Incentive Plan (the “Plan”) to provide long-term incentive awards (“LTI Awards”) to certain employees based upon certain guaranteed minimums or an amount determined based upon “eligible sales” as defined in the Plan. In 2015, awards for certain new plan participants were determined based upon a percentage of the participant's base salary. Effective January 1, 2020, eligible employees of the Plan were transferred to the Hines Investment Management Employee Cash Long-Term Incentive Program. The Company intends to continue this Plan or a similar plan indefinitely, but it reserves the right to change and/or discontinue it at the Company’s discretion.

The LTI Awards are granted on March 15<sup>th</sup> of the year following the year of service to which they relate and vest over a three-year period. The participant must be an active employee on the date of payment in order to receive payment. The Company recognizes compensation expense related to the awards on a straight-line basis over the service period of the awards.

In 2020, the Company granted LTI Awards of \$871,847 and recognized compensation expense of \$999,651. The related payable of \$1,499,235 as of December 31, 2020, is included as deferred compensation in the accompanying statement of financial condition.

**Hines Global Income Trust and HMS Income Fund Retention Bonus Award** — On July 22, 2015, the Company entered into agreements with certain employees to earn retention bonuses that will be paid upon the earlier of a three year liquidity window or upon

liquidation of HGIT and HMS. The bonuses are determined based on sales of HGIT and HMS. The aggregate commitment for payments to the employees, as of December 31, 2020, is currently estimated to be \$6,665,194 for HGIT bonuses and \$2,252,076 for HMS bonuses. As a condition to the payment of the bonuses, the employee is required to be an employee of Company as of the date of the liquidation of the respective fund. If the employee is no longer employed by the Company on the liquidation date, the bonus is forfeited and no longer an obligation of the Company. The Company makes a periodic accrual for the bonuses that are expected to be due and payable at the liquidation date. Given the uncertainty around the liquidation event, on a regular basis management evaluates the estimate for the liquidation date and adjusts the periodic accrual to reflect the estimated timing. The current estimated liquidation date used for this calculation is February of 2024 for HGIT and December of 2021 for HMS. During the year ended December 31, 2020, \$889,787 was recognized as an expense associated with HGIT and \$1,291,643 was recognized as an expense associated with HMS. The total related payable of \$3,752,552, as of December 31, 2020, is included as deferred compensation in the accompanying statement of financial condition.

## **5. NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15:1. As of December 31, 2020, the Company had net capital, as defined, of \$4,152,643, which was \$3,411,491 in excess of its required net capital of \$741,152, and its ratio of aggregate indebtedness to net capital was 2.68 to 1.

## **SUPPLEMENTAL SCHEDULES**

**HINES SECURITIES, INC.**

Schedule g

**SCHEDULE OF COMPUTATION OF NET CAPITAL  
FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-1  
UNDER THE SECURITIES EXCHANGE ACT OF 1934  
AS OF DECEMBER 31, 2020**

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**COMPUTATION OF NET CAPITAL:**

Total stockholder's equity \$ 5,474,374

## Deductions:

## Nonallowable assets:

Due from affiliates 257,053

Prepaid expenses 1,034,106

Furniture, equipment, and leasehold improvements — net 30,572**NET CAPITAL** \$ 4,152,643**COMPUTATION OF AGGREGATE INDEBTEDNESS — Liabilities** \$ 11,117,281**TOTAL AGGREGATE INDEBTEDNESS** \$ 11,117,281**RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL** 2.68 to 1**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:**Minimum net capital required (greater of \$5,000 or 1/15 of aggregate indebtedness) \$ 741,152Excess net capital \$ 3,411,491

No material differences exist between the amounts above, which are based on the audited financial statements, and amounts included in the Company's unaudited FOCUS report as of December 31, 2020, as filed on January 26, 2021.

**HINES SECURITIES, INC.**

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS AND  
INFORMATION RELATING TO THE POSSESSION OR CONTROL REQUIREMENTS  
FOR BROKERS AND DEALERS PURSUANT TO SEC RULE 15C3-3 UNDER THE  
SECURITIES EXCHANGE ACT OF 1934  
AS OF DECEMBER 31, 2020**

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The Company has no possession or control obligations under SEA Rule 15c3-3(b) or reserve deposit obligations under SEA Rule 15c3-3(e) because its business is limited to:

- A. Real estate syndication
- B. Acting as broker or dealer selling tax shelter or limited partnerships in primary distributions
- C. Placing private securities
- D. Wholesaling non-traded REITs
- E. Acting as dealer manager on a best-efforts basis for the business development company of HMS Income Fund, Inc. ("HMS BDC")
- F. Acting as wholesaler or dealer manager on a best-efforts basis for non-traded Business Development Companies
- G. Acting as wholesaler or dealer manager for public, non-traded Closed-End Funds