

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2015043646601**

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

RE: EBH Securities Inc., Respondent ("EBH" or the "Firm")
CRD No. 36592

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accept and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

EBH has been a member of FINRA since July 21, 1994. EBH maintains its main office in Indianapolis, Indiana. EBH engages in retail transactions in mutual funds and variable annuities on an application-way basis. The firm currently employs two registered individuals.

RELEVANT DISCIPLINARY HISTORY

EBH does not have relevant formal disciplinary history.

OVERVIEW

On certain occasions in late 2014 and early 2015, EBH failed to maintain its minimum net capital of not less than \$5,000 while continuing to conduct its securities business, in violation of Exchange Act Rule 15c3-1. EBH failed to provide notice of its net capital deficiency in violation of Exchange Act Rule 17a-11. In addition, EBH failed to maintain and keep current an accurate trial balance, general ledger, and monthly net capital computations in violation of Exchange Act Rule 17a-3. Finally, EBH failed to file accurate FOCUS reports in violation of Exchange Act Rule 17a-5.

FACTS AND VIOLATIVE CONDUCT

Pursuant to Exchange Act Rule 15c3-1, EBH was required to maintain not less than \$5,000 of net capital at all times during the relevant period. Under this Rule, EBH was not permitted to engage in a securities business without minimum net capital.

In August 2014, EBH's relationship with its accountant ended, and the person delegated with responsibility for its accounting changed. Until EBH hired a new accountant in March of 2015, the firm miscalculated its net capital, resulting in net capital deficiencies and inaccurate trial balances, general ledgers, and FOCUS filings.

Specifically, on September 3, 2014 and October 3, 2014, and November 30, 2014 and February 24, 2015, EBH conducted a securities business in violation of SEC Exchange Act Rule 15c3-1. EBH's net capital on these dates was \$804, \$814, \$1,541 and \$4,469, respectively. In March 2015, EBH came into compliance with its minimum net capital requirements through a capital contribution to the firm.

Exchange Act Rule 17a-11 required EBH to provide notice of its net capital deficiencies to FINRA and to the SEC. EBH failed to provide FINRA or the SEC with notice of its net capital deficiencies, in violation of Exchange Act Rule 17a-11.

Exchange Act Rule 17a-3 required EBH to maintain and keep current an accurate trial balance, general ledger, and monthly net capital computations.

In December 2013, September 2014, and November 2014, and December 2014, EBH failed to keep a current accurate trial balance and general ledger by failing to book expenses and liabilities attributable to EBH pursuant to an expense sharing arrangement with two companies under common control with EBH's president.

These failures also resulted in EBH maintaining inaccurate monthly net capital records, by:

- Overstating its net capital as of December 31, 2013 by \$14,138;
- Understating its net capital as of September 30, 2014 by \$104;
- Overstating its net capital as of October 31, 2014 by \$640;
- Overstating its net capital as of November 30, 2014 by \$1,885; and
- Overstating its net capital as of December 31, 2014 by \$879.

Exchange Act Rule 17a-5 required EBH to file accurate FOCUS Reports of the firm's financial status. EBH's December 2013, September 2014, and December 2014 FOCUS Reports were inaccurate, in violation of this Rule, due to the adjustments above.

Based on the foregoing, EBH violated Section 15(c) of the Exchange Act and Exchange Act Rule 15c3-1 thereunder; Section 17(a) of the Exchange Act and Exchange Act Rules 17a-3, 17a-5, and 17a-11 thereunder; and FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

- A censure and fine of \$5,000.¹

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

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

¹ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. *See* Notice to Members 06-55.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against Respondent;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and

C. If accepted:

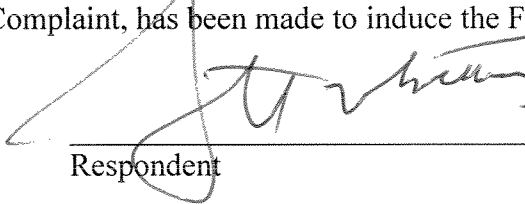
1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that Respondent may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that such person has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

10/17/2016

Date (mm/dd/yyyy)



Respondent

EBH SECURITIES, INC.

By: Starky Whittlesey

Its: President

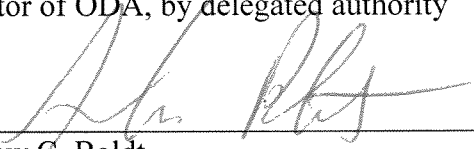
Reviewed by:

Attorney Name
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

Accepted by FINRA:

11-14-16
Date

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



Andrew C. Boldt
Principal Regional Counsel
FINRA Department of Enforcement
55 West Monroe Street, Suite 2700
Chicago, Illinois 60603-5052
(312) 899-4400 (Phone)
(312) 606-0742 (Fax)