## STATE OF MAINE OFFICE OF SECURITIES 121 STATE HOUSE STATION AUGUSTA, MAINE 04333

IN THE MATTER OF:	
Eubanks Capital Management (CRD #135493)	CONSENT AGREEMENT No. CAG-06-072
and	) )
Ronald M. Eubanks, Jr. (CRD #2957448)	
	)

This Agreement is entered into by the State of Maine Office of Securities (the "Office"), Eubanks Capital Management ("ECM"), an investment adviser with a principal place of business located at 300 Ocean House Road, Cape Elizabeth, Maine 04107, and Ronald M. Eubanks, Jr. ("Eubanks"), sole proprietor and president of ECM.

## **WHEREAS**, the parties agree as follows:

- 1. Pursuant to 32 M.R.S.A. §16403(1), it is unlawful for a person to transact business in this State as an investment adviser unless the person is licensed or exempt from licensing;
- Pursuant to Rule Chapter 515, Section 14(17)(A)(1), it is unlawful to enter into, extend, or renew any investment advisory contract if the contract provides for compensation on the basis of a share of capital gains or capital appreciation of the funds or any portion of the funds of the client;
- 3. Eubanks failed to renew ECM's Maine investment adviser license for the calendar year 2006;
- 4. In July and October of 2005, Eubanks formed two limited partnerships, Broad Cove Partners I ("BCP I") and Broad Cove Partners II ("BCP II"), respectively, for the purpose of investing in option strategies for maximum short-term capital gains.
- 5. Eubanks served as general partner of both BCP I and BCP II.

- 6. Both limited partnership agreements stipulated that the general partner would receive an amount equal to 20% of the gross partnership profits attained during the partnership and that no compensation would be paid if the partnership did not make a profit.
- 7. Eubanks continued to trade BCP I and BCP II after his investment adviser license had expired on December 31, 2005;
- 8. Both BCP I and BCP II were valued on January 31, 2006, with only BCP II showing a profit. In accordance with the terms of BCP II's limited partnership agreement, Eubanks was paid a fee in the amount of \$1,311.71 that was based on a share of capital gains attained during the partnership.
- 9. It is the Office's position that ECM has acted as an investment adviser in Maine without being licensed or exempt from licensing and Eubanks has entered into investment advisory contracts that provided compensation on the basis of a share of capital gains;
- 10. Eubanks has represented to the Office that it was not his intention to violate the Maine Uniform Securities Act ("the Act") or Rule Chapter 515; and
- 11. All parties desire an expeditious resolution of this matter.

**NOW, THEREFORE**, without trial or adjudication of any issue of fact or law, and without ECM and Eubanks admitting or denying that their conduct violated the Act or Rule Chapter 515, it is agreed that:

- ECM and Eubanks will comply with all licensing and other legal requirements governing persons acting as investment advisers and investment adviser representatives in the State of Maine at all times from the date hereof:
- 2. In lieu of the Office seeking the imposition of a penalty for the allegations contained herein, ECM will disgorge compensation earned from BCP II in the amount of \$1,311.71 and return it directly to BCP II's limited partners;
- 3. Eubanks will provide the Office with evidence that the compensation has been returned to BCP II's limited partners upon execution of this Agreement; and
- 4. The Office will not take further action against ECM or Eubanks solely for having entered into an investment advisory agreement that provides for compensation on the basis of a share of capital gains or for ECM's unlicensed status during the period preceding and including the date of execution of the Agreement, PROVIDED, however, that this paragraph applies only to the unlicensed activity previously disclosed to the Office by ECM.

By:

**Eubanks Capital Management** 

June 14, 2006 s/Ronald M. Eubanks, Jr., President Date Ronald M. Eubanks, Jr., President June 14, 2006 s/Ronald M. Eubanks, Jr. Ronald M. Eubanks, Jr. Date June 22, 2006 s/Michael J. Colleran Michael J. Colleran Date Securities Administrator Reviewed by: s/Bonnie E. Russell June 20, 2006 Bonnie E. Russell Date **Assistant Securities Administrator** Presented by: s/Cathy J. Williams June 20, 2006 Cathy J. Williams Date

Investigator/Examiner