

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 74119 / January 22, 2015

INVESTMENT COMPANY ACT OF 1940
Release No. 31426 / January 22, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16353

In the Matter of

**Spring Hill Capital Markets, LLC,
Spring Hill Capital Partners, LLC,
Spring Hill Capital Holdings, LLC,
and Kevin D. White,**

Respondents.

**ORDER INSTITUTING
ADMINISTRATIVE AND CEASE-AND-
DESIST PROCEEDINGS, PURSUANT TO
SECTIONS 15(b) AND 21C OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 9(b) OF THE
INVESTMENT COMPANY ACT OF 1940,
AND NOTICE OF HEARING**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted against Spring Hill Capital Markets, LLC (“SHCM”), Spring Hill Capital Partners, LLC (“SHCP”), Spring Hill Capital Holdings, LLC (“SHCH”), and Kevin D. White (“White”) pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”).

II.

After an investigation, the Division of Enforcement alleges that:

Summary

1. These proceedings arise out of violations of the broker-dealer registration requirements of the Exchange Act by SHCP, an unregistered entity; violations of the net capital, record-keeping, and reporting requirements of the Exchange Act by affiliate SHCM, a registered broker-dealer; and the conduct of their parent company, SHCH, and founding CEO, Kevin White, to aid and abet and cause these and other violations.

2. At the direction of White, SHCP entered into a written agreement with an unaffiliated registered broker-dealer (“Company A”) to allow SHCP to trade fixed income securities and earn transaction-based compensation. Beginning in 2009, SHCP began introducing trades in fixed income securities to Company A. Although five employees of SHCP became registered representatives of Company A and executed trades introduced by SHCP, SHCP itself never registered with the Commission.

3. At White’s direction and for the most part under the management of SHCH, from May 2009 through February 2010, SHCP introduced approximately 100 trades in asset-backed securities that generated over \$4 million in compensation. Based on the agreement with Company A, SHCP retained 85 percent of this compensation, which totaled approximately \$3,740,000, and paid the balance, approximately \$640,000, to Company A for its provision of trade clearing and processing services.

4. In March 2010, White also directed a trader to withhold a trade ticket from Company A in order to conceal that Spring Hill did not have a customer for the transaction. This caused Company A’s books and records to be inaccurate. Later that month, SHCM, which like SHCP was under the management of SHCH, executed an additional purchase without there being a customer. SHCM’s blotter also contained incorrect trade dates for the two purchases so as to appear in each case that there was a customer as of the purchase date. The latter purchase resulted in SHCM having a net capital deficiency in violation of Section 15(c)(3) of the Exchange Act and Rule 15c3-1 thereunder, which SHCM failed to report to the Commission.

Respondents

5. Spring Hill Capital Holdings, LLC (“SHCH”), a Delaware company headquartered in New York, New York, is a holding company that is the sole direct owner of Spring Hill Capital Partners, LLC (“SHCP”), Spring Hill Capital Markets, LLC (“SHCM”), and Spring Hill Management Company, LLC (“SHMC”) (collectively, “Spring Hill” or the “Spring Hill Entities”). SHCH is majority owned by Kevin White. Pursuant to Spring Hill’s operating agreements, SHCH acts as the “full and exclusive” manager of the business and affairs for each of its subsidiaries. SHCH has never been registered with the Commission in any capacity.

6. Spring Hill Capital Markets, LLC (“SHCM”), is a registered broker-dealer organized under the laws of Delaware and headquartered in New York, New York. It is majority owned, through SHCH, by Kevin White. SHCM’s broker-dealer registration became effective on February 26, 2010. From March 2010 to January 2014, SHCM conducted fixed income trading through Company A.

7. Spring Hill Capital Partners, LLC (“SHCP”), a Delaware company headquartered in New York, New York, has never been registered with the Commission in any capacity. It is majority owned, through SHCH, by Kevin White. From May 2009 until the broker-dealer registration of SHCM became effective on February 26, 2010, SHCP traded securities in SHCP-designated customer accounts held by Company A. SHCP has had virtually no business activity since the effective date of SHCM’s registration with the Commission.

8. Kevin D. White, age 51, resides in Ridgefield, CT. He founded the Spring Hill Entities and is their CEO. He holds Series 3, 7, 9, 10, 24, and 63 licenses. He previously was associated with three registered broker-dealers in a variety of capacities over the periods 1986 to 1988 and 1991-2008.

Other Relevant Entities

9. Company A, a New York company headquartered in Garden City, New York, is a broker-dealer registered with the Commission. During the relevant period, Company A provided trade clearing and processing services for trades introduced by SHCM and SHCP.

SHCP Acts as Unregistered Broker-Dealer at White’s Direction

10. In early 2009, SHCP entered into a business relationship with Company A to allow SHCP to trade fixed income assets. As White explained in investigative testimony, SHCP “joined the [Company A] platform, because it has the pipes and plumbing . . . required . . . to do our business.”

11. In an early email, an executive from Company A described the arrangement to White as follows: “We can act as B/D of record for your [*i.e.*, SHCP’s] registered reps. We would hold the licenses and assume those potential liabilities. We would keep a fair percentage of the commissions, I’d cover my own clearing personnel, you would be responsible for the associated clearing costs, and retain the remain[ing] commissions to pay the salesman and cover your overhead. Fails and/or mistakes (hooks) would be on your end. . . . we’d need to be comfortable with your personnel and you’d manage the business yourselves.”

12. White negotiated that SHCP would receive 85 percent of the compensation for trades conducted under this arrangement, with the 15 percent balance being paid to Company A for its services. In April 2009, SHCP and Company A memorialized their understanding by executing a “Services and Cost Sharing Agreement” to facilitate the “clearing and trade processing for trades introduced by [SHCP].” The agreement provided that certain SHCP employees would register as “independent” representatives of Company A.

13. Following the formation of SHCH as a holding company with the “full and exclusive right, power and authority to manage” SHCP’s business, SHCP and Company A reaffirmed their arrangement in July 2009 through an updated agreement that provided for continuation of the 85 percent/15 percent allocation of transaction-based compensation between the two firms.

14. Consistent with these agreements, several employees of SHCP registered as representatives of Company A and as directed by White, conducted trades for SHCP customers over a ten-month period from May 2009 through February 2010.

15. SHCP exercised control over these “independent” representatives of Company A, all of whom worked out of SHCP’s offices. SHCP had authority over their trading decisions and determined their compensation.

16. Despite the lack of registration, SHCP held itself out as a broker-dealer. White distributed marketing materials to industry contacts that described SHCP as a “Broker/Dealer [that] trades securities, focusing on highly structured consumer and non-consumer ABS, CMBS, and RMBS” and that “also originates new and existing securitizations.”

17. From May 2009 through February 2010, SHCP introduced approximately 100 trades in asset-backed securities, *i.e.*, approximately 100 purchases and 100 sales, that generated over \$4 million in compensation. SHCP received approximately \$3,740,000, including \$540,000 that it directed Company A to pay directly to the registered representatives.

18. SHCH directed SHCP to “side-stream” approximately \$2.6 million of revenues, earned primarily from trades conducted during this period, to affiliated entities including Spring Hill Management Company, LLC, an administrative services company that used the revenues largely to pay for SHCM’s payroll and operating expenses after SHCP ceased business activity.

White’s Conduct Results in Net Capital and Books and Records Violations

19. On March 1, 2010, White instructed a trader at Spring Hill to buy a bond but to delay submitting the trade ticket for the purchase to Company A to conceal that there was no customer for the transaction.¹ As a result, Company A failed to make and keep current its books and records by failing to timely reflect this transaction in its trade blotters.

20. SHCM’s trade blotter also contained an incorrect trade date for the transaction.

21. Ten days after the purchase, the Spring Hill trader sold the bond to a third-party, broker dealer.

22. White then instructed the trader to offer to repurchase the bond on behalf of SHCM, despite there again being no customer for the transaction and White’s knowledge of the same. By March 15, 2010, SHCM reached an “agreement in principle” on the purchase terms, and on the morning of March 16, executed the trade with the seller. At the time, SHCM was under the “full and exclusive” management of SHCH.

¹ Although SHCM’s registration became effective February 26, 2010, SHCM does not appear to have commenced business until after it received authorization from FINRA to do so on March 4, 2010, after the date of this trade. Accordingly, the March 1, 2010 trade is not being charged as a net capital violation.

23. White directed the repurchase of the bond – a restricted nonconvertible debt security – because he expected that SHCM could eventually sell it to an interested party.

24. The transaction resulted in a net capital deficiency for SHCM of at least approximately \$1.2 - \$1.4 million. SHCM did not notify the Commission that it was out of compliance with its net capital requirements.

25. SHCM's blotter also contained an incorrect trade date for the purchase.

26. Approximately seven hours after purchasing the bond, SHCM agreed to sell it to a customer for a profit of \$414,375.

Violations

27. As a result of the conduct described above, SHCP willfully violated Section 15(a) of the Exchange Act, which makes it illegal for a broker or dealer to effect any transaction in, or to induce or attempt to induce the purchase or sale of, any security unless the broker is registered with the Commission.

28. As a result of the conduct described above, SHCH and White willfully aided and abetted and caused SHCP's violations of Section 15(a) of the Exchange Act.

29. As a result of the conduct described above, SHCM willfully violated Section 17(a) of the Exchange Act and Rule 17a-3(a)(1) thereunder, which requires that each broker-dealer registered with the Commission make and keep current blotters (or other records of original entry) containing an accurate itemized daily record of all purchases and sales of securities.

30. As a result of the conduct described above, Company A violated Section 17(a) of the Exchange Act and Rule 17a-3(a)(1) thereunder.

31. As a result of the conduct described above, SHCH and White willfully aided and abetted and caused Company A's violations of Section 17(a) of the Exchange Act and Rule 17a-3(a)(1) thereunder.

32. As a result of the conduct described above, SHCM willfully violated Section 15(c)(3) of the Exchange Act and Rule 15c3-1 thereunder, which require a broker-dealer to maintain a certain minimum net capital at all times while effecting transactions in securities.

33. As a result of the conduct described above, SHCH and White willfully aided and abetted and caused SHCM's violations of Section 15(c)(3) of the Exchange Act and Rule 15c3-1 thereunder.

34. As a result of the conduct described above, SHCM willfully violated Section 17(a) of the Exchange Act and Rule 17a-11(b)(1) thereunder, which require a broker-dealer to notify the Commission the "same day" of the occurrence of a net capital deficiency.

35. As a result of the conduct described above, SHCH and White willfully aided and abetted and caused SHCM's violations of Section 17(a) of the Exchange Act and Rule 17a-11(b)(1) thereunder.

III.

In view of the allegations made by the Division of Enforcement, the Commission deems it necessary and appropriate in the public interest that public administrative and cease-and-desist proceedings be instituted to determine:

A. Whether the allegations set forth in Section II are true and, in connection therewith, to afford Respondents an opportunity to establish any defenses to such allegations;

B. What, if any, remedial action is appropriate in the public interest against Respondents SHCH, SHCP, SHCM, and White, pursuant to Section 15(b) of the Exchange Act, including, but not limited to, an accounting, disgorgement, and civil penalties pursuant to Section 21B of the Exchange Act;

C. What, if any, remedial action is appropriate in the public interest against Respondents SHCH, SHCP, SHCM, and White pursuant to Section 9(b) of the Investment Company Act, including, but not limited to, disgorgement, and civil penalties pursuant to Section 9 of the Investment Company Act;

D. Whether, pursuant to Section 21C of the Exchange Act, Respondent SHCP should be ordered to cease and desist from committing or causing violations of and any future violations of Section 15(a) of the Exchange Act, whether Respondent SHCP should be ordered to pay a civil penalty pursuant to Section 21B(a) of the Exchange Act, and whether Respondent SHCP should be ordered to provide an accounting and pay disgorgement pursuant to Section 21C(e) of the Exchange Act;

E. Whether, pursuant to Section 21C of the Exchange Act, Respondent White should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 15(a), 15(c), and 17(a) of the Exchange Act and Rules 15c3-1, 17a-3, and 17a-11(b)(1) thereunder, whether Respondent White should be ordered to pay a civil penalty pursuant to Section 21B(a) of the Exchange Act, and whether Respondent White should be ordered to provide an accounting and pay disgorgement pursuant to Section 21C(e) of the Exchange Act;

F. Whether, pursuant to Section 21C of the Exchange Act, Respondent SHCH should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 15(a), 15(c), and 17(a) of the Exchange Act and Rules 15c3-1, 17a-3, and 17a-11(b)(1) thereunder, whether Respondent SHCH should be ordered to pay a civil penalty pursuant to Section 21B(a) of the Exchange Act, and whether Respondent SHCH should be ordered to provide an accounting and pay disgorgement pursuant to Section 21C(e) of the Exchange Act; and

G. Whether, pursuant to Section 21C of the Exchange Act, Respondent SHCM should be ordered to cease and desist from committing or causing violations of and any future violations of Sections 15(c) and 17(a) of the Exchange Act and Rules 15c3-1, 17a-3, and 17a-11(b)(1)

thereunder, whether Respondent SHCM should be ordered to pay a civil penalty pursuant to Section 21B(a) of the Exchange Act, and whether Respondent SHCM should be ordered to provide an accounting and pay disgorgement pursuant to Section 21C(e) of the Exchange Act.

IV.

IT IS ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section III hereof shall be convened not earlier than 30 days and not later than 60 days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

IT IS FURTHER ORDERED that each Respondent shall file an answer to the allegations contained in this Order within twenty (20) days after service of this Order, as provided by Rule 220 of the Commission's Rules of Practice, 17 C.F.R. § 201.220.

If any Respondent fails to file the directed answer, or fails to appear at a hearing after being duly notified, the Respondent may be deemed in default and the proceedings may be determined against the Respondent upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f) and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f), and 201.310.

This Order shall be served forthwith upon each Respondent as provided for in the Commission's Rules of Practice.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Brent J. Fields
Secretary