

**Disciplinary Panel
American Stock Exchange LLC**

IN THE MATTER
OF
JOHN CADE

Case No. 05-02
Hearing Officer – RSH

DECISION
February 16, 2006

In accordance with a Stipulation of Facts and Consent to Penalty, the Disciplinary Panel Chair determined that Respondent violated Exchange Constitution Article V, Section 4(l), as stipulated, and as a penalty imposed a censure, a \$10,000 fine, and a requirement that Respondent successfully complete an anger management course.

I. Introduction

The American Stock Exchange, LLC (“Exchange”) instituted a formal disciplinary proceeding against John Cade (“Cade ”), a Regular Member of the Exchange. The Disciplinary Panel Chair (“Chair”), presiding without convening a full Disciplinary Panel, pursuant to Article V, Section 1(b) of the Exchange Constitution, held a hearing on January 3, 2006, pursuant to Article V, Section 2 of the Exchange Constitution, to review a Stipulation of Facts and Consent to Penalty (“Stipulation”), which is attached as Exhibit A. The Exchange and Cade entered into the Stipulation for the purposes of settling this proceeding and concluding all disciplinary actions by the Exchange against Cade based upon or arising out of the facts set forth in the Stipulation.

II. Facts

Cade, without admitting or denying liability, stipulated to the facts set forth in the attached Stipulation. The Chair has determined to accept the facts for purposes of this Decision, and they are incorporated herein.

III. Violation

Based upon the stipulated facts, the Chair concludes that Cade violated Article V, Section 4(l) of the Exchange Constitution on September 10, 2004 by making unprofessional, demeaning, and profane comments while on the Exchange Floor.

IV. Penalties and Publicity

The Stipulation proposes that the Disciplinary Panel Chair impose on Cade a censure, a \$10,000 fine, and a requirement that within 90 days, Cade begin and successfully complete an anger management course, submitting proof of attendance and completion of such course to the Compliance Assistant, NASD Amex Regulation Division, Enforcement Department, One Liberty Plaza, New York, New York 10006.

After considering the stipulated facts and the statements of the parties, the Chair finds that the proposed penalty is appropriate under the facts and circumstances of this case, and therefore it will be imposed. The Chair further finds that the results of this disciplinary proceeding should be publicly disclosed, as provided in Rule 12 of the Exchange Rules on Disciplinary Proceedings.¹

V. Conclusion

The Disciplinary Panel Chair accepts the Stipulation of Facts and Consent to Penalty and hereby imposes upon Cade a censure, a \$10,000 fine and a requirement that Cade attend and successfully complete an anger management course.

FOR THE DISCIPLINARY PANEL

Rochelle S. Hall, Chair

¹ Rule 12 exempts from publicity those cases in which the Panel finds that the offense “related solely to minor administrative requirements of the Exchange and does not materially affect the public interest or the interest of investors.” That exemption does not apply to the facts of this case.

Copies to: Alfred Ferrer III, Esq. (*via facsimile and first class mail*)
John Cade (*via overnight and first class mail*)
Jennifer D. Kim, Esq. (*electronically and via first class mail*)
Arlene Collins-Day (*electronically and via first class mail*)

**Disciplinary Panel
American Stock Exchange LLC**

IN THE MATTER
OF
JOHN CADE

**STIPTULATION OF FACTS AND
CONSENT TO PENALTY**
Case No. 05-02

This proceeding was instituted by the American Stock Exchange LLC (the “Exchange”) against JOHN CADE (“Cade”) (CRD No. 4709074), a Regular Member of the Exchange. This Stipulation of Facts and Consent to Penalty (“Stipulation”) is entered into with Cade pursuant to Article V, Section 2 of the Exchange Constitution in order to settle and conclude all disciplinary actions by the Exchange against Cade based upon or arising out of the facts hereinafter stipulated. Cade, without admitting or denying the facts, allegations and conclusions contained in this Stipulation of Facts and Consent to Penalty, hereby consents to the entry of findings of a violation of the Exchange Constitution and the imposition of the penalties hereinafter provided. Cade understands that this settlement is subject to approval by an Exchange Disciplinary Panel and by the Amex Adjudicatory Council (“AAC”) and that, if so approved, shall constitute a final decision, which may not be appealed by the parties. Cade understands and acknowledges that the Disciplinary Panel’s decision in this matter will become part of his disciplinary record and may be considered in any future proceeding brought by the Exchange.

STIPULATED FACTS:

- 1.0 During all relevant periods herein, Cade was a Regular Member of the Exchange and employed by Spectra Financial Group LLC, a Regular Member Organization of the Exchange, as a market maker on the Exchange Floor.
- 1.1 During all relevant periods herein, Cade was subject to Article V, Section 4(l) of the Exchange Constitution, which states:
- (l) A member adjudged guilty in a proceeding under this Article of conduct subversive of good order and decorum or serious interference with the personal comfort or safety of another person, within the limits of any department of the Exchange, may be suspended from membership for a period not exceeding sixty days or fined.

Cade's Conduct in Google ("GOQ") Options on September 10, 2004:

- 2.0 At all relevant times herein, GOQ options were traded on the Floor of the Exchange.
- 2.1 On September 10, 2004, at approximately 10:30 a.m., floor broker "PF" entered the GOQ trading crowd at Post 26 and requested a market in the GOQ 105, 110 and 115 "Christmas tree."¹
- 2.2 In response to "PF"'s request, registered options trader "JP" quoted a bid for the Christmas tree.
- 2.3 Following "JP"'s bid, Cade, who was also in the GOQ crowd, made a number of unprofessional, demeaning and profane comments directly to "JP," including remarks about the lack of quality in "JP"'s market making functions.

¹ A Christmas tree is a complex trading strategy in which one buys (sells) the lowest strike price and sells (buys) the two higher strikes. Specifically, it is the contemporary purchase of one option and the sale of two other options at successively higher strike prices (in the case of calls) or lower strike prices (in the case of puts). The objective is to participate in the price movement of the underlying within a specific range for a low or zero option premium outlay.

2.4 The statements made by Cade were made in the presence of other trading crowd participants as well as Exchange staff.

Cade's Prior Conduct:

3.0 On August 21, 2003, an Exchange Floor official imposed a \$100 fine against Cade pursuant to Exchange Rule 590 for Cade's use of unwarranted profanity on the Exchange Floor. Cade paid this fine.

CONCLUSION:

4.0 Cade violated Article V, Section 4(l) of the Exchange Constitution in that on September 10, 2004, while on the Floor of the Exchange, he engaged in conduct subversive of good order and decorum, as set forth in paragraph 2.0 through 2.4.²

² This Stipulation and Consent to Penalty constitutes a full and final disposition of the Statement of Charges dated May 20, 2005 (Case No. 05-02).

DISCIPLINARY ACTION:

By reason of the foregoing Stipulated Facts, a Disciplinary Panel may impose the following penalties against Cade:

- (a) a censure;
- (b) a fine of \$10,000; and
- (c) that Cade, within 90 business days of acceptance of this Stipulation by an Exchange Hearing Panel, Cade shall commence, and successfully complete an anger management course. Cade shall submit proof of attendance and completion of such course to the COMPLIANCE ASSISTANT, NASD AMEX REGULATION DIVISION, ENFORCEMENT DEPARTMENT, ONE LIBERTY PLAZA, NEW YORK, NY 10006.

Cade hereby acknowledges that he has read carefully this Stipulation and understands all of the provisions contained herein; that he has agreed to its provisions voluntarily; and that no offer, promise, threat or inducement of any kind has been tendered to Cade by the Exchange, its staff or representatives to induce Cade to enter into this Stipulation, aside from the prospect of settling this disciplinary proceeding based on the terms and conditions set forth in this Stipulation rather than adjudicating this matter by way of a hearing on a Charge Memorandum as provided by Exchange rules.

AMERICAN STOCK EXCHANGE LLC

By: _____

David Rosenstein
Vice President and Chief Counsel
NASD Amex Regulation Division

Agreed to this _____ day of _____, 2005.

John Cade

