

**Disciplinary Panel
American Stock Exchange LLC**

IN THE MATTER	:	Case Nos. 03-61, 04-34, 04-41,
	:	04-63, 04-92, 04-260, 05-66,
OF	:	05-97, 05-98, 05-172, 05-320,
	:	05-359, 05-363, 05-364, 05-372,
	:	05-461
CHARLTON SPECIALIST PARTNERS, LLC	:	Hearing Officer – RSH
	:	DECISION
	:	September 6, 2006

In accordance with a Stipulation of Facts and Consent to Penalty, the Disciplinary Panel Chair determined that Respondent violated Exchange Rule 156(b), Exchange Rule 958A(e), Exchange Rule 941(e), Article V, Section 4(h) of the Exchange Constitution, Exchange Rule 958A, SEC Rule 11Ac1-1, Exchange Rule 943(a), Exchange Rule 109, and Exchange Rule 320, as stipulated, and as a penalty imposed a censure and a \$100,000 fine.

I. Introduction

The American Stock Exchange, LLC (“Exchange”) instituted a formal disciplinary proceeding against Charlton Specialist Partners, LLC (“Charlton” or the “Firm”), a former Regular Member Organization 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 May 30, 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 Charlton entered into the Stipulation for the purposes of settling this proceeding and concluding all disciplinary actions by the Exchange against Charlton based upon or arising out of the facts set forth in the Stipulation.

II. Facts

Charlton, 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. Violations

Based upon the stipulated facts, the Chair concludes that Charlton and/or individual Charlton specialists:

(1) violated Exchange Rule 156(b), Exchange Rule 958A(e), and Article V, Section 4(h) of the Exchange Constitution on numerous occasions between June 2002 and February 2005 by failing to use due diligence in handling customer limit orders or by failing to use due diligence in handling limited price orders;

(2) violated Exchange Rule 958A, SEC Rule 11Ac1-1, and Article V, Section 4(h) of the Exchange Constitution on multiple occasions between January 2003 and January 2005 by executing orders at prices inferior to the published quoted market;

(3) violated SEC Rule 11Ac1-1, Exchange Rules 941(e) and 958A, and Article V, Section 4(h) of the Exchange Constitution in 26 cases between November 2004 and April 2005 by failing to execute orders entitled to an execution at the Firm's quoted markets in Linkage;

(4) violated Exchange Rule 943(a) and Article V, Section 4(h) of the Exchange Constitution on 60 occasions between July 2003 and July 2004 by creating a Locked or Crossed Market and failing to unlock or uncross that market or failing to direct a

Principal Order through the Linkage system to trade against the bid or offer that it locked or crossed;

(5) violated Exchange Rule 109 and Article V, Section 4(h) of the Exchange Constitution on 20 occasions between November 2003 and January 2004 by failing to comply with Exchange requirements regarding stopping options in accordance with Exchange Rule 109; and

(6) violated Exchange Rule 320 between June 2002 and April 2005 by failing to have written supervisory procedures providing for: a) identification of the person(s) responsible for supervision with respect to the applicable rules; b) a statement of the supervisory step(s) to be taken by the identified person(s); c) a statement as to how often such person(s) should take such step(s); and d) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.

IV. Penalties and Publicity

The Stipulation proposes that the Chair impose a censure and a \$100,000 fine. After considering the stipulated facts and the statements of the parties, as well as the decisions cited in the Exchange's precedent memorandum, 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

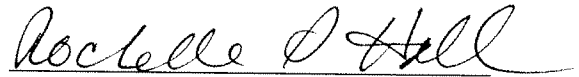
V. Conclusion

The Chair accepts the Stipulation of Facts and Consent to Penalty and

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.

hereby imposes upon Charlton Specialist Partners, LLC a censure and a fine of \$100,000.

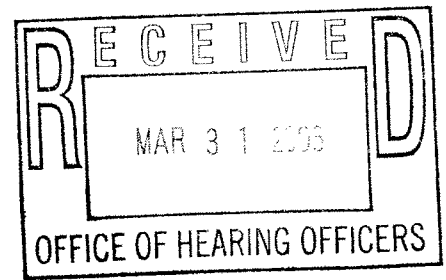
FOR THE DISCIPLINARY PANEL


Rochelle S. Hall, Chair

Copies to: Charlton Specialist Partners, LLC (*via overnight and first class mail*)
Thomas McCabe, Esq. (*via facsimile and first class mail*)
Sebastian Krawczyk, Esq. (*electronically and via first class mail*)
David E. Rosenstein, Esq. (*electronically and via first class mail*)
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EXHIBIT A

**Disciplinary Panel
American Stock Exchange LLC**



IN THE MATTER
OF
CHARLTON SPECIALIST PARTNERS,
LLC

**STIPULATION OF FACTS AND
CONSENT TO PENALTY**
Case Nos. 03-61, 04-34, 04-41, 04-63, 04-92,
04-260, 05-66, 05-97, 05-98, 05-172
05-320, 05-359, 05-363, 05-364, 05-372 and
05-461

This proceeding was instituted by the American Stock Exchange LLC (the "Exchange") against Charlton Specialist Partners, LLC ("Charlton" or the "Firm") (CRD No. 124655), a former Regular Member Organization of the Exchange. This Stipulation of Facts and Consent to Penalty ("Stipulation") is entered into with Charlton pursuant to Article V, Section 2 of the Exchange Constitution in order to settle and conclude all disciplinary actions by the Exchange against Charlton based upon or arising out of the facts hereinafter stipulated. Charlton, without admitting or denying the facts, allegations and conclusions contained in this Stipulation, hereby consents to the entry of findings of violations of the Exchange Constitution and Rules, and the Federal securities laws, and the imposition of the penalties hereinafter provided. Charlton understands that this settlement is subject to approval by an Exchange Disciplinary Panel and can be the subject of review by the Amex Adjudicatory Council ("AAC") and that, if so approved, shall constitute a final decision, which may not be appealed by the parties. Charlton understands and acknowledges that the Disciplinary Panel's decision in this matter will become part of its disciplinary record and may be considered in any future proceeding brought by the Exchange.

STIPULATED FACTS:

1.0 During all relevant periods herein, Charlton was a Regular Member Organization and a registered options specialist organization of the Exchange. Charlton subsequently terminated its Exchange membership effective October 26, 2005.

1.1 During all relevant periods herein, Charlton served as a specialist for various options that traded on the Floor of the Exchange.

2.0 Option Limit Order Display Violations

2.1 Exchange Rule 156(b)¹ requires Exchange specialists to use due diligence in handling limited price orders.

2.2 Subject to certain exceptions, Exchange Rule 958A(e)² requires Exchange specialists to publish immediately, but in no event later than 30 seconds from the time of receipt, the price and size of each customer option limit order held by the specialist that is at a price or size that would improve the displayed bid or offer in the option that is the subject of the limit order.

2.3 On 75 occasions during the period of June 3, 2002 through May 30, 2003, the Firm failed to use due diligence in handling customer limit orders by failing to execute or display customer option limit orders immediately (Amex Case No. 04-41).

2.4 On 25 occasions during the period of June 3, 2002 through May 30, 2003, Charlton Specialist A failed to use due diligence in handling customer limit

¹ As of August 20, 2003, the Exchange notified option specialists that, subject to certain exceptions, failures to execute or display customer option limit orders immediately, but in no event later than 30 seconds from the time of receipt, would be enforced pursuant to Exchange Rule 156 and Article V, Section 4(h) of the Exchange Constitution. See Amex Notice – Immediate Display of Customer Options Limit Orders (August 20, 2003).

² Exchange Rule 958A(e) became effective January 21, 2005.

orders by failing to execute or display customer option limit orders immediately (Amex Case No. 04-92).

2.5 On 25 occasions during the period of September 1, 2004 through November 30, 2004, Charlton Specialist B failed to use due diligence in handling customer limit orders by failing to execute or display customer option limit orders immediately (Amex Case No. 05-97).

2.6 On 50 occasions during the period of September 1, 2004 through February 28, 2005, Charlton Specialist C failed to use due diligence in handling limited price orders by failing to execute or display customer option limit orders immediately, and failed to handle customer limit orders in accordance with Exchange Rule 958A(e) (Amex Case Nos. 05-98 and 05-363).

2.7 The conduct described in paragraphs 2.3 through 2.6 constitutes separate and distinct violations of Exchange Rule 156(b), Exchange Rule 958A(e) and Article V, Section 4(h) of the Exchange Constitution.

3.0 Option Firm Quote Violations

3.1 Subject to certain exceptions, Exchange specialists are required to execute orders to buy or sell options presented to them at a price at least as favorable to the published bid or offer, in accordance with SEC Rule 11Ac1-1 and Exchange Rule 958A.

3.2 On 75 occasions during the period of January 2, 2003 to May 30, 2003, an order was presented to the Firm at the Firm's published bid or offer in an amount up to its published quotation size. The Firm failed to execute these

orders upon presentment and thereby failed to honor its published quotation (Amex Case No. 04-34).

3.3 On 25 occasions during the period of January 2, 2003 through May 30, 2003, an order was presented to Charlton Specialist D and Specialist E at the published bid or offer in an amount up to their published quotation size. Charlton Specialist D and Specialist E failed to execute these orders upon presentment and thereby failed to honor their published quotation (Amex Case No. 04-63).

3.4 On 28 occasions during the period of June 2, 2003 through July 31, 2003, an order was presented to Charlton Specialist D, Specialist F and Specialist G at the published bid or offer in an amount up to their published quotation size. Charlton Specialist D, Specialist F and Specialist G executed these orders at prices inferior to their published quoted market (Amex Case No. 03-61).

3.5 On 50 occasions during the period of March 1, 2004 through April 29, 2005, an order was presented to Charlton Specialist C at the published bid or offer in an amount up to the published quotation size. Charlton Specialist C failed to execute these orders upon presentment and thereby failed to honor the published quotation (Amex Case Nos. 05-172, 05-359 and 05-364).

3.6 On 24 occasions during the period October 1, 2004 through January 31, 2005, an order was presented to Charlton Specialist F at the published bid or offer in an amount up to the published quotation size. Charlton Specialist F

failed to execute these orders upon presentment and thereby failed to honor the published quotation (Amex Case No. 05-372).

- 3.7 The conduct described in paragraphs 3.2 through 3.6 constitutes separate and distinct violations of SEC Rule 11Ac1-1, Exchange Rule 958A and Article V, Section 4(h) of the Exchange Constitution.

4.0 Linkage Firm Quote Violations

- 4.1 Subject to certain exceptions, SEC Rule 11Ac1-1 and Exchange Rules 941(e) and 958A require Exchange specialists to execute Linkage Principal and Principal as Agent orders received from other Participant Exchanges and entrusted to the specialist as agent at the best available price reflected in the Firm's quoted market.
- 4.2 On 26 occasions during the period of November 1, 2004 through April 30, 2005, the Firm failed to execute orders entitled to an execution at the firm's quoted markets in Linkage (Amex Case No. 05-461).
- 4.3 The conduct described in paragraph 4.2 constitutes separate and distinct violations of SEC Rule 11Ac1-1, Exchange Rules 941(e) and 958A and Article V, Section 4(h) of the Exchange Constitution.

5.0 Linkage Locked/Crossed Market Violations

- 5.1 Subject to certain exceptions, Exchange Rule 943(a) requires that an Eligible Market Maker that creates a Locked or Crossed Market unlock or uncross that market or direct a Principal Order through Linkage to trade against the bid or offer that the Eligible Market Maker locks or crosses.

5.2 On 60 occasions during the period July 1, 2003 through July 31, 2004, the Firm created a Locked or Crossed Market and failed to unlock or uncross that market or failed to direct a Principal Order through Linkage to trade against the bid or offer that the Firm locked or crossed (Amex Case Nos. 05-320 and 04-260).

5.3 The conduct described in paragraph 5.2 constitutes separate and distinct violations of Exchange Rule 943(a) and Article V, Section 4(h) of the Exchange Constitution.

6.0 Stopped Orders Violations

6.1 Subject to certain exceptions, Exchange Rule 109³ requires an Exchange specialist to take certain steps when stopping stock and prohibits a specialist from stopping stock against the book or for his own account at a price at which he holds an order capable of execution at that price.

6.2 On 20 occasions during the period of November 3, 2003 through January 30, 2004, the Firm failed to comply with Exchange requirements regarding stopping options in accordance with Exchange Rule 109 (Amex Case No. 05-66).

6.3 The conduct described in paragraph 6.2 constitutes separate and distinct violations of Exchange Rule 109 and Article V, Section 4(h) of the Exchange Constitution.

³ The provisions of Exchange Rule 109 and Commentary thereto regarding "stopping" stock apply to Exchange options transactions. See Exchange Rule 950(o).

7.0 Supervision

7.1 During the period of June 2002 through April 2005, the Firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Exchange Constitution and rules, concerning limit order display, firm quotes, Linkage locked and crossed markets and stopped orders. Specifically, the Firm's supervisory system did not include written supervisory procedures providing for: (1) identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.

7.2 The conduct described in paragraph 7.1 constitutes a violation of Exchange Rule 320.

DISCIPLINARY ACTION:

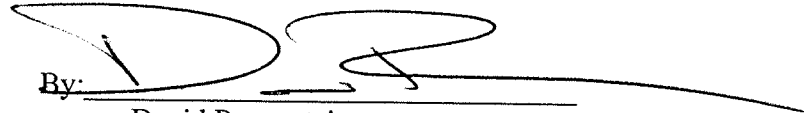
By reason of the foregoing Stipulated Facts and violations, a Disciplinary Panel may impose the following penalties upon Charlton:

- (a) a censure;
- (b) a fine of \$100,000.

Charlton hereby acknowledges that the Firm has read carefully this Stipulation and understands all of the provisions contained herein; that the Firm has agreed to its provisions


voluntarily; and that no offer, promise, threat or inducement of any kind has been tendered to Charlton by the Exchange, its staff or representatives to induce Charlton 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 6 day of March, 2006.


On behalf of Charlton Specialist Partners, LLC