

**Disciplinary Panel
American Stock Exchange LLC**

IN THE MATTER
OF
HEIGHTS PARTNERS, INC.

:
: Case Nos. 06-199, 06-366, 06-458,
: and 07-20
: [AMXC07016]
:
: Hearing Officer – DRP
: November 7, 2007
:

In accordance with a Stipulation of Facts and Consent to Penalty, the Disciplinary Panel Chair determined that Respondent violated Exchange Rules 153(b) and 320 (b) and (c) of the Exchange Constitution, as stipulated, and as a penalty imposed a censure, and a \$60,000 fine.

I. Introduction

The American Stock Exchange, LLC (Exchange) instituted a formal disciplinary proceeding against Heights Partners, Inc. (Heights Partners), a 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 August 31, 2007, 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 Heights Partners entered into the Stipulation for the purposes of settling this proceeding and concluding all disciplinary actions by the Exchange against Heights Partners based on or arising out of the facts set forth in the Stipulation.

II. Facts

Heights Partners, 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 on the stipulated facts, the Chair concludes that Heights Partners violated:

(1) Exchange Rule 153(b) of the Exchange Constitution by entering an option order into the Exchange's Booth Automated Routing System (BARS) after its execution on at least 10 separate occasions during each of the following periods: October 1, 2005 through December 31, 2005; January 1, 2006 through March 31, 2006; April 1, 2006 through June 30, 2006; and July 1, 2006 through September 30, 2006; and

(2) Exchange Rules 320 (b) and (c) of the Exchange Constitution during the period October 2005 through September 2006 by failing to provide appropriate supervisory control and failing to reasonably discharge its duties to ensure compliance with respect to the Exchange Rule 153(b) BARS requirements.

IV. Penalties and Publicity

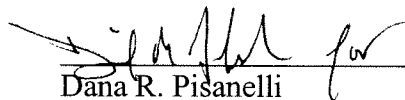
The Stipulation proposes that the Chair impose on Heights Partners, a censure and a \$60,000 fine. After considering the stipulated facts and the statements of the parties at the hearing, as well as the decisions cited in the Exchange's precedent memorandum, the Chair finds that the proposed penalty 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 hereby imposes upon Heights Partners, a censure and a \$60,000 fine.

FOR THE DISCIPLINARY PANEL


Dana R. Pisanelli
Panel Chair²

Copies: James T. Pappas (*via facsimile and first class mail*)
Heights Partners, Inc. (*via overnight and first class mail*)
D. Christopher Walker, Esq. (*electronically and first class mail*)
Arlene Collins-Day (*electronically and first class mail*)

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.

² This decision was prepared by the Panel Chair and reflects the determinations made by her in this matter. It is signed by FINRA’s Deputy Chief Hearing Officer on her behalf and at her request in light of her extended absence for health reasons.

EXHIBIT A

**Disciplinary Panel
American Stock Exchange LLC**

IN THE MATTER
OF
HEIGHTS PARTNERS, INC.

**STIPULATION OF FACTS AND
CONSENT TO PENALTY**

Case Nos.: 06-199, 06-366, 06-458, and
07-20

This proceeding was instituted by the American Stock Exchange LLC (the "Exchange") against Heights Partners, Inc. ("Heights Partners" or the "Firm")(CRD# 32328), a Regular Member Organization of the Exchange. This Stipulation of Facts and Consent to Penalty ("Stipulation") is entered into with Heights Partners pursuant to Article V, Section 2 of the Exchange Constitution in order to settle and conclude all disciplinary actions by the Exchange against Heights Partners based upon or arising out of the facts hereinafter stipulated. Heights Partners, 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 Rules and the imposition of penalties hereinafter provided. Heights Partners 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. Heights Partners 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, Heights Partners was a Regular Member organization of the Exchange.
- 2.0 **Option Execution Prior to Entry (“Option EPE”) BARS Violations**
- 2.1 At all relevant times herein, Exchange Rule 153(b) (made applicable to options by ANTE Rules of General Applicability Rule 950(a)) provided that every member or member organization must, immediately upon receipt, input eligible option orders, that are not already systematized into the Exchange’s electronic order processing facilities, into the Exchange’s Booth Automated Routing System (“BARS”). Entry of an option order into BARS after its execution constitutes a violation of Rule 153(b) by the member or member organization handling the order as broker.
- 2.2 On at least 10 separate occasions during the period of October 1, 2005 through December 31, 2005, Heights Partners entered an option order into BARS after its execution (Amex Case No. 06-199).
- 2.3 On at least 10 separate occasions during the period of January 1, 2006 through March 31, 2006, Heights Partners entered an option order into BARS after its execution (Amex Case No. 06-366).
- 2.4 On at least 10 separate occasions during the period of April 1, 2006 through June 30, 2006, Heights Partners entered an option order into BARS after its execution (Amex Case No. 06-458).

2.5 On at least 10 separate occasions during the period of July 1, 2006 through September 30, 2006, Heights Partners entered an option order into BARS after its execution (Amex Case No. 07-20).

2.6 The conduct described in paragraphs 2.2 through 2.5 constitutes separate and distinct violations of Exchange Rule 153(b) (made applicable to options by ANTE Rules of General Applicability Rule 950(a)).

3.0 Supervision

3.1 During all relevant periods herein, Exchange Rule 320(b) provided that each office, department or business activity of a member or member organization (including foreign incorporated branch offices) shall be under the supervision and control of the member or member organization establishing it and of the personnel delegated such authority and responsibility. The person in charge of a group of employees shall reasonably discharge his duties and obligations in connection with supervision and control of the activities of those employees related to the business of their employer including compliance with securities laws and regulations.

3.2 During all relevant periods herein, Exchange Rule 320(c) provided that the general partners, directors, trustees of each member organization shall provide for appropriate supervisory control and shall designate a general partner, principal executive officer, trustee to assume overall authority and responsibility for internal supervision and control of the organization and compliance with securities laws and regulations. This person shall (1) delegate to qualified principals or employees responsibility and authority for supervision and control of

each office, department or business activity, and provide for appropriate procedures of supervision and control; and (2) establish a separate system of follow-up and review to verify that the delegated authority and responsibility is being properly exercised.

3.3 Although, during the period October 2005 through September 2006, Heights maintained reasonable written supervisory procedures with respect to compliance with the BARS requirements, Heights did not have an adequate system of follow-up and review in place to verify that delegated authority and responsibility relating to Exchange Rule 153(b) BARS compliance, as provided for in the firm's written supervisory procedures, was being properly exercised. As a result, the Firm failed to provide appropriate supervisory control and failed to reasonably discharge its duties to ensure compliance with respect to the Exchange Rule 153(b) BARS requirements. Due to the Firm's compliance failures, its employees did not adequately comply with the BARS requirements of Exchange Rule 153(b).

3.4 The conduct described in paragraph 3.3 constitutes the violation of Amex Rules 320(b) and 320(c).

* * * * *

DISCIPLINARY ACTION:

By reason of the foregoing Stipulated Facts and Violations, a Disciplinary Panel may impose the following penalties upon Heights Partners:

- (a) a censure; and
- (b) a fine of \$60,000 for the Option EPE BARS violations and the related BARS supervision violation.

Heights Partners hereby acknowledges that it has read carefully this Stipulation and understands all of the provisions contained herein; that it agrees to its provisions voluntarily; and that no offer, promise, threat or inducement of any kind has been tendered to Heights Partners by the Exchange, its staff or representatives to induce Heights Partners 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.

Further, Heights Partners hereby agrees that it 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 Stipulation or create the impression that the Stipulation is without factual basis. Nothing in this provision affects Heights Partner's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which the Exchange is not a party.

Finally, it is understood and agreed that in any written submission to or proceeding before any person or body convened to consider this Stipulation of Facts and Consent to Penalty (including to, a Hearing Officer acting alone, a Hearing Panel, or any

reviewing body authorized by the Amex Constitution and/or Rules), neither Enforcement nor Heights Partners shall offer any argument that is inconsistent with the stipulated facts or the agreed-upon penalty, nor shall either party ask for the imposition of any penalty other than that agreed upon in this Stipulation of Facts and Consent to Penalty.

AMERICAN STOCK EXCHANGE LLC

By: Claudia Crowley
Claudia Crowley
Senior Vice President
Chief Regulatory Officer
American Stock Exchange LLC

Agreed to this 23rd day of July, 2007.

James T. Pappas
Heights Partners, Inc.

JAMES T. PAPPAS, President
(Print name and title of individual signing on behalf of firm.)