

III. Violation

Based upon the stipulated facts, the Disciplinary Panel concludes that:

- 1.) Sovereign Capital Partners violated Exchange Rule 300(b) in that the firm failed to obtain the Exchange's written approval prior to the capital withdrawals of \$1,500,000 on January 29, 2002 and \$1,000,000 on April 1, 2002, which withdrawals decreased the firm's net capital in excess of 37% and 40%, respectively; and
- 2.) Sovereign violated Article V, Section 4(h) of the Exchange Constitution, in that it violated SEC Rules 15c3-1(e)(i) and (iv) by failing to report in writing the above capital withdrawals to the SEC's Washington office, the SEC regional office in which Sovereign had its principal place of business, and to the firm's designated examining authority (the Exchange).

IV. Penalties and Publicity

The Stipulation proposes that the Disciplinary Panel impose a \$30,000 fine for the above misconduct. At the hearing, the Parties urged the Disciplinary Panel to accept the proposed penalty as being appropriate to the facts and circumstances of this case. After consideration of the Stipulation and the agreed-upon penalty, the Disciplinary Panel finds the proposed penalty is at the appropriate level to be imposed in this proceeding and therefore accepts the penalty proposed in the Stipulation.

The Disciplinary Panel 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

Based on the foregoing, the Disciplinary Panel, by unanimous vote, accepts the Stipulation of Facts and Consent to Penalty and hereby imposes a fine of \$30,000 upon Sovereign Capital Partners, LLC.

FOR THE DISCIPLINARY PANEL

Jerome Nelson, Chair

Dated: April 24, 2003

Copies to: Walter Stursberg, Esq. (via overnight delivery and first class mail)
Justin Kletter, Esq. (via electronic mail and first class mail)

¹ Rule 12 exempts from publicity those cases where 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." Those exemptions do not apply to the facts of this case.

Disciplinary Panel
American Stock Exchange LLC

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: IN THE MATTER : STIPULATION OF FACTS
: OF : AND
: SOVEREIGN CAPITAL PARTNERS, LLC : CONSENT TO PENALTY
: PARTNERS, LLC : Case No. 02-15
.....

This proceeding was instituted by the American Stock Exchange LLC (the “Exchange” or “Amex”), against SOVEREIGN CAPTIAL PARTNERS, LLC (“Sovereign”) a regular member organization of the Exchange, (CRD #102940.) This Stipulation of Facts and Consent to Penalty is entered into pursuant to Article V, Section 2 of the Exchange Constitution, in order to settle and conclude all disciplinary actions by the Exchange against Sovereign based upon or arising out of the facts hereinafter stipulated. Sovereign, without admitting or denying the facts, allegations and conclusions contained in this Stipulation of Facts and Consent to Penalty, hereby consents to the finding of violations of the Exchange Constitution and Rules and to the imposition of the penalty hereinafter provided. Sovereign understands that this settlement is subject to approval by an Exchange Disciplinary Panel and by the Amex Adjudicatory Council and that, if so approved, shall constitute a final decision which may not be appealed by the parties. Sovereign understands and acknowledges that the Disciplinary Panel’s decision in this matter will become part of Sovereign’s disciplinary record, and may be considered in any future proceeding brought by the Exchange.

STIPULATED FACTS:

- 1.0 During all relevant periods herein, Sovereign was a regular member organization of the Exchange registered with the Securities and Exchange Commission (“SEC”) pursuant to File No. 8-52142, effective June 19, 2000.
- 1.1 During all relevant times herein, SEC Rule 15c3-1(e)(1)(i) and (iv) required that withdrawals of capital from a firm, which exceed 30% of the firm’s excess net capital, be reported in writing to the SEC’s Washington, D.C. office, the SEC regional office in which the broker-dealer has its principal place of business and the broker-dealer’s designated examining authority, at least two business days prior to such capital withdrawal.
- 1.2 During all relevant periods herein, the Exchange was the designated examining authority for Sovereign.
- 1.3 During all relevant periods herein, AMEX Rule 300(b) stated, “The partnership articles of each member firm shall contain provisions that (i) without the proper written approval of the Exchange, the capital contribution of any partner may not be withdrawn on less than six months written notice of withdrawal given no sooner than six months after such contribution was first made, and (ii) in no event shall the capital contributions of any partner be withdrawn if prohibited under the provisions of Securities and Exchange Commission Rule 15c3-1 (See SEC Rule 15c3-1(e)). Each member firm shall promptly notify the Exchange of the receipt of any notice of withdrawal any party of a partner’s capital contribution or if any withdrawal is not made because prohibited under the provisions of Securities and Exchange Commission Rule 15c3-1(e).”

- 1.4 During all relevant periods herein, Article V, Section 4(h) of the Exchange Constitution stated, “A member, member organization or approved person who or which shall be adjudged guilty in a proceeding under this Article of a violation of the Constitution of the Exchange, of a violation of a rule adopted pursuant to the Constitution, of a violation of a resolution of the Board regulating the conduct or business of members or member organizations, or of conduct or proceeding inconsistent with just and equitable principals of trade, may, if a member or member organization, be suspended or expelled from membership or, if an approved person have his approval withdrawn, unless the offense is the violation of a provision, rule or resolution for which a different penalty has been provided, in which case such other penalty may be imposed.”
- 2.0 On or about April 14, 2002, Sovereign filed its Financial and Operational Combined Uniform Single Report Part II (the “FOCUS Report”) with the Exchange’s Financial Regulatory Services Department (“FRSD”) for the first quarter of 2002 (January 1, 2002 through March 31, 2002). FRSD’s review of Sovereign’s quarterly FOCUS Report revealed that on January 29, 2002, there was a \$1,500,000 capital withdrawal, which reflected a 37% reduction in excess net capital.
- 2.1 On April 30, 2002, FRSD staff was informed by Sovereign that a second capital withdrawal had taken place on April 1, 2002. Sovereign stated that it had withdrawn \$1,000,000, representing a 40% reduction in excess net capital.
- 3.0 Notwithstanding Sovereign’s capital withdrawals on January 29 and April 1, 2002 (reduction in 37% and 40% reductions in excess net capital), Sovereign failed to notify the Exchange and failed to obtain written approval from the Exchange prior to the withdrawals of such capital.
- 3.1 Notwithstanding Sovereign’s capital withdrawals on January 29 and April 1, 2002, Sovereign failed to notify in writing the SEC in Washington, DC, the SEC regional office in which

Sovereign has its principal place of business and the firm's designated examining authority, the AMEX, at least two business days prior to such capital withdrawals.

- 3.2 Notwithstanding the capital withdrawals in January and April 2002, at all times herein, Sovereign was in compliance with its applicable net capital requirement under the Uniform Net Capital Rule, SEC Rule 15c3-1. As of its March 31, 2002 FOCUS Report, Sovereign maintained net capital of \$2,521,338, thus exceeding SEC minimum net capital requirements by \$2,421,338.
- 3.3 As of their June 30, 2002 FOCUS Report, Sovereign maintained net capital of \$1,475,553, thus exceeding the SEC minimum net capital requirement by \$1,375,553.

CONCLUSION:

By reason of the above Stipulated Facts, a Disciplinary Panel may conclude that:

- 4.0 Sovereign violated Exchange Rule 300(b) in that the firm failed to obtain the written approval of the Exchange prior to the capital withdrawals of \$1,500,000 on January 29, 2002, and \$1,000,000 on April 1, 2002, which withdrawals decreased the firm's net capital in excess of 37% and 40%, respectively, as described in above paragraphs 1.3, 2.0, 3.0 and 3.1.
- 4.1 Sovereign violated Article V, Section 4(h) of the Exchange Constitution, in that the firm violated SEC Rules 15c3-1(e)(i) and (iv), by failing to report in writing its January and April 2002 capital withdrawals to the SEC's Washington D.C. office, the SEC regional office in which Sovereign has its principal place of business and Sovereign's designated examining authority (the AMEX), at least two business days prior to such capital withdrawals, as described in above paragraphs 1.1, 1.2, 1.4, 2.1, and 3.1.

DISCIPLINARY ACTION:

By reason of the above stipulated facts, a Disciplinary Panel may impose the following penalties upon Sovereign:

- a) a \$30,000 fine.

AMERICAN STOCK EXCHANGE LLC

By: _____
Glen Barrentine
Vice President

Agreed to this _____ day of _____, 2002.

on behalf of Sovereign Capital Partners, LLC