

**NASDAQ PHLX LLC
NOTICE OF ACCEPTANCE OF AWC**

Certified, Return Receipt Requested

**TO: Monadnock Capital Management, LP
 Mr. Youngjoe Loh
 Chief Compliance Officer
 1845 Walnut Street, #940
 Philadelphia, PA 19103**

**FROM: Nasdaq PHLX LLC (“Phlx” or “Exchange”)
 Phlx Enforcement Department
 805 King Farm Blvd
 Rockville, MD 20850**

DATE: April 8, 2019

RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 2018.07.0023

Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent (“AWC”) has been accepted on **April 8, 2019** by the Phlx Exchange Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Phlx Exchange Review Council, pursuant to PHLX Rule 9216. A copy of the AWC is enclosed herewith.

If applicable, you are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration (“Form BD”) to reflect the conclusion of this disciplinary action. Additionally, you must also notify Phlx in writing of any change of address or other changes required to be made to your Form BD.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed. If a fine or disgorgement has been imposed, payment will be handled in accordance with your Payment Information Form.

Monadnock Capital Management, LP
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If you have any questions concerning this matter, please contact me at (301) 978-8196.



Joanne Pedone
Enforcement Counsel
Phlx Enforcement Department

Enclosure

**NASDAQ PHLX LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2018.07.0023**

TO: Nasdaq PHLX LLC
Phlx Enforcement Department

RE: Monadnock Capital Management, LP
Respondent Member Firm
CRD No. 124605

Pursuant to Rule 9216 of Nasdaq PHLX LLC (“Phlx” or the “Exchange”) Code of Procedure, Monadnock Capital Management, LP (the “Firm,” “Monadnock,” or “Respondent”) submits this Letter of Acceptance, Waiver and Consent (“AWC”) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, Phlx will not bring any future actions against the Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of Phlx, or to which Phlx is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by Phlx:

BACKGROUND

The Firm has been a Phlx member since January 2, 2003, and its registration remains in effect. The Firm is headquartered in Wilmington, Delaware and operates as an options market-making firm. The Firm has eight Registered Options Traders. The Firm has no prior relevant disciplinary history.

SUMMARY

The Firm tendered shares in connection with the partial tender offer for Weyerhaeuser Co. (“WY”) that commenced on May 22, 2014 and expired on July 2, 2014. During that partial tender offer, the Firm tendered shares in excess of its net long position, in violation of Rule 14e-4, promulgated under the Securities Exchange Act of 1934, and Phlx Rule 707. The Firm also failed to establish and maintain a supervisory system and written supervisory procedures (“WSPs”) that were reasonably designed to prevent and detect, insofar as practicable, the over-tendering of shares in a partial tender offer, in violation of Phlx Rule 748.

FACTS AND VIOLATIVE CONDUCT

1. Rule 14e-4 prohibits both short and hedged tendering to enhance the fairness of the proration process by preventing certain tendering persons from gaining an advantage in the proration pool at the expense of others, and it assures equal application of the proration factor to each tendering person’s net ownership in the tendered shares.
2. Rule 14e-4 provides, in relevant part, that it “shall be unlawful for any person acting alone or in concert with others, directly or indirectly, to tender any subject security in

a partial tender offer . . . [f]or his own account unless at the time of the tender, and at the end of the proration period . . . he has a net long position equal to or greater than the amount tendered in . . . the subject security . . . or . . . an equivalent security.”

3. Phlx Rule 707 states that a member, member organization, or person associated with or employed by a member or member organization shall not engage in conduct inconsistent with just and equitable principles of trade.
4. Phlx Rule 748(b) requires member organizations to provide for appropriate supervisory control of the organization and compliance with securities laws and regulations, including Phlx’s By-Laws and Rules. Member organizations are required to provide for appropriate written procedures of supervision and control, and to establish a separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised.
5. Phlx Rule 748(h) requires member organizations to establish, maintain, and enforce WSPs, and a system for applying such procedures, reasonably designed to prevent and detect, insofar as practicable, violations of securities laws and regulations, including the By-Laws and Rules of Phlx.
6. During the partial tender offer for WY that commenced on May 22, 2014 and expired on July 2, 2014, the Firm tendered 46,501 shares in excess of its net long position.
7. The conduct described in paragraph 6 constitutes a violation of Rule 14e-4 and Phlx Rule 707.
8. Until March 2017, the Firm did not have in place any WSPs relating to compliance with Rule 14e-4.
9. In March 2017, the Firm updated its WSPs relating to compliance with Rule 14e-4. However, the Firm failed to establish and maintain a supervisory system and WSPs that were reasonably designed to prevent and detect, insofar as practicable, violations of Rule 14e-4. While the Firm’s WSPs made reference to the requirements of Rule 14e-4, the Firm’s WSPs failed to: (i) provide guidelines, procedures, or controls reasonably designed to prevent and detect violations of the Rule 14e-4; and (ii) address whether supervisors should review for over-tendering of shares in a partial tender offer, how to review for such activities, and what escalation or remedial actions, if any, to take if such activities are discovered. However, the Firm has since updated its WSPs to memorialize system improvements the Firm has implemented with respect to monitoring and reviewing for violations of Rule 14e-4.
10. The conduct described in paragraphs 8 and 9 constitutes violations of Phlx Rule 748.

B. Respondent also consents to the imposition of the following sanctions:

1. A censure;
2. A fine in the amount of \$10,000.00; and
3. Disgorgement in the amount of \$28,917.00.

Respondent agrees to pay the monetary sanction(s) in accordance with its Payment Information Form.

Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by Phlx Enforcement Department staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under Phlx's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the Phlx Exchange Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudice of the Chief Regulatory Officer, the Phlx Exchange Review Council, or any member of the Phlx Exchange Review Council, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Phlx Rule 9143 or the separation of functions prohibitions of Phlx Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

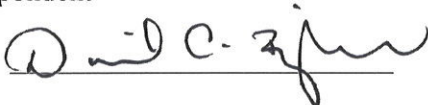
III.
OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the Phlx Enforcement Department and the Phlx Exchange Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs, pursuant to Phlx Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Respondent; and
- C. If accepted:
 - 1. This AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by Phlx or any other regulator against the Respondent;
 - 2. Phlx may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Phlx Rule 8310 and IM-8310-3; and
 - 3. Respondent 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 AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of Phlx, or to which Phlx is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Respondent's right to take legal or factual positions in litigation or other legal proceedings in which Phlx is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by Phlx, nor does it reflect the views of Phlx or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

Monadnock Capital Management, LP
Respondent

By: 

Print Name: Daniel C. Bigelow

Title: President

April 3, 2019
Date

Accepted by Phlx:

4/8/2019
Date

Signed on behalf of the
Director of ODA, by delegated authority



Joanne Pedone
Counsel
Phlx Enforcement Department

Signed on behalf of Phlx, by delegated
authority from the Director of ODA

PAYMENT INFORMATION

For firms, the fine and/or disgorgement amount will be reflected on an upcoming invoice and will be direct debited from the account for your firm that the Exchange currently has on file. ***Please DO NOT submit payment at this time.***

Please inform your finance or applicable department of this forthcoming debit.

For individuals, and for firms that would like to arrange for an alternative method of payment, please enter the billing contact information below and the Exchange's Billing Department will contact you. ***Otherwise, please leave the following information blank.***

Billing Contact Name: Kate Chupein

Billing Contact Address: 950 Chesterfield Road, # 130, Lewisville, PA 19351

Billing Contact Email: kchupein@mcmoptions.com

Billing Contact Phone Number: 215-990-4813

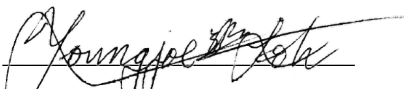
Respectfully submitted,

Respondent

Monadnock Capital Management, LP

April 3, 2019

Date

By: 

Name: Youngjoe Loh

Title: CCO