



Notice of Disciplinary Action against Solaris Alternative Capital Partners, L.P., a Former Member Organization, and Pasquale R. DiDonato, a Former Compliance Officer of Solaris Alternative Capital Partners, L.P.

To: Members, Member Organizations, Participants and Participant Organizations

From: John C. Pickford, Enforcement Counsel, NASDAQ OMX PHLXSM

DATE: February 21, 2014

Enforcement No. 2012-17
FINRA No. 20100213948

On January 14, 2014, a Hearing Panel of the NASDAQ OMX PHLX LLC ("PHLX" or the "Exchange") issued a summary disposition as a result of FINRA's Department of Market Regulation's Motion for Entry of Default Decision ("Default Motion") against Solaris Alternative Capital Partners, L.P. ("Solaris" or the "Firm"), a former member organization of the Exchange, and Pasquale R. DiDonato (collectively, the "Respondents"), the Firm's former Compliance Officer. The Default Motion was filed after Respondents had failed to cooperate with numerous requests by Market Regulation that Solaris provide documents, and that DiDonato appear and testify, in connection with Market Regulation's investigation, on behalf of the Exchange, into whether Solaris had: (i) improperly claimed the market maker exemption to the locate requirement under Rule 203(b)(2)(iii) of Regulation SHO promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), to effect short-sale transactions in numerous threshold securities without first locating shares to borrow; and (ii) effected short-term options transactions paired with shares of the underlying threshold security in order to circumvent the close-out provisions of Regulation SHO, improperly reset the close-out clock, and prolong its fail-to-deliver positions in numerous threshold securities. The Statement of Charges alleged that Respondents had violated Exchange Rule 960.2(b) by failing to comply with Market Regulation's requests for information, documents and testimony and otherwise delaying, impeding and failing to cooperate with Market Regulation's investigation into possible violations of Regulation SHO by Solaris.

After reviewing the Default Motion and the Respondents' response to the Default Motion, the Hearing Panel found that the Exchange had properly asserted and retained jurisdiction over the Respondents, that Respondents had violated Exchange Rule 960.2(b), and ordered that Solaris be expelled from Exchange membership, and DiDonato be barred in all capacities from any future association with any member of the Exchange. Respondents were given twenty-one (21) business days to file a written reply to the summary decision, including any documentary support, requesting a hearing on their reply or that the findings or sanctions be set aside. Respondents have not filed a reply to the summary decision, and since the 21-day reply period has elapsed, the summary decision is deemed to be conclusive and final pursuant to Exchange Rule 960.9.

For more information, contact:

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