

**IN ARBITRATION
UNDER CHAPTER XVIII OF THE RULES
OF THE CHICAGO BOARD OPTIONS EXCHANGE, INCORPORATED**

IN THE MATTER OF)	
)	
Centurion Securities, LLC,)	
)	
Claimant,)	File No. 06M004
)	
v.)	
)	
Howard Chalfin,)	
)	
Respondent.)	
)	

Representation

For Claimant:	Leah Bruno, Ben Delfin (Sonnenschein, Nath & Rosenthal, LLP)
For Respondent:	Pro Se*

Pleadings

Centurion Securities, LLC Statement of Claim and Submission Agreement, filed on or about:	September 7, 2006
Howard Chalfin Answer & Affirmative Defenses and Submission Agreement, filed on or about:	December 20, 2006

Hearing

The named parties appeared at the hearing sessions specified below, and had full opportunity to present arguments and evidence.

<u>Date(s)</u>	<u>No. of Sessions</u>	<u>Location</u>
August 14, 2007	1	Chicago, Illinois
August 15, 2007	1	Chicago, Illinois
August 21, 2007	1	Chicago, Illinois

Summary of Issues

On or about September 7, 2006, Centurion Securities, LLC ("Centurion" or "Claimant"), filed a Statement of Claim ("Statement of Claim") against Howard Chalfin ("Chalfin" or "Respondent").

* Respondent Howard Chalfin was represented by the law firm Danzig, Fishman and Decea from in or about December 2006 through August 13, 2007, at which time Danzig, Fishman and Decea notified CBOE's arbitration department that it was withdrawing as Howard Chalfin's counsel in this matter. Howard Chalfin notified CBOE's arbitration department that he would be proceeding in this matter pro se.

Claimant's Statement of Claim alleges the following. On February 17, 2006, Chalfin signed a copy of the second Amended and Restated Operating Agreement of Centurion as the managing principal of Rock Capital Partners, LLC ("Rock Capital") and became a Class B member of Centurion. On March 8, 2006, Chalfin executed a Continuing Unlimited Trading Account Guaranty which Claimant contends is a personal guaranty ("Personal Guaranty"). Centurion alleges that the Personal Guaranty executed by Chalfin makes Chalfin personally liable in the event that Rock Capital's account incurred any debt. On March 20, 2006, Rock Capital agreed to the terms of a trading agreement with Centurion ("Trading Agreement"). In May 2006, Chalfin began trading through Centurion. By June 20, 2006, Centurion contends Rock Capital's trading account in Centurion had incurred debt due to various trading activities. Centurion alleges that Chalfin has refused to pay Centurion for any of this debt because Chalfin contends the debt was Rock Capital's and not his. Centurion argues that Chalfin is responsible to pay Rock Capital's debt since Chalfin executed the Personal Guaranty. Therefore, Centurion seeks \$228,284.33 plus the contractual interest pursuant to the Trading Agreement running from July 1, 2006 at the rate of 11.75% per annum. Centurion also requests, as authorized pursuant to the Personal Guaranty, all costs associated with recovering the amounts owed to Centurion including, but not limited to, attorneys' fees, direct and indirect arbitration-related expense, and any other costs incurred as a result of Centurion enforcing the Personal Guaranty.

Respondent filed an answer and affirmative defenses to the Statement of Claim on or about December 20, 2006 ("Answer"). In the Answer, Chalfin alleges the following. Centurion's Statement of Claim was brought through a persistent pattern of fraud, breach of fiduciary duties and other wrongs, seeking to hold Chalfin personally liable for the losses which were sustained by Rock Capital. In the Answer, Chalfin alleges that the wrongs committed by Centurion include fraudulently forging the signature on certain documents and is relying on these "forged documents" in seeking compensation in this claim against Chalfin. Chalfin alleges that Centurion is seeking to hold him personally liable for the debts of Rock Capital despite no contractual obligation by which he [Chalfin] agreed to pay the debts of Rock Capital. In response to Centurion's Statement of Claim, Chalfin set forth the following affirmative defenses: (i) Centurion's Statement of Claim fails to state a claim upon which relief may be granted, (ii) Centurion is in breach of the operating agreement, (iii) Centurion breached its fiduciary obligation under the operating agreement, (iv) Centurion is barred, precluded and estopped from asserting or maintaining this arbitration in consequence of Centurion's wrongful and unjustified conduct including but not limited to its forgery of the documents which form the basis of this arbitration, (v) Centurion should be barred from prosecuting this arbitration by virtue of its willful fraud, and (vi) Centurion breached its duties of good faith, fair dealing and candor under applicable SEC, NASD and stock exchange rules and regulations, as well as common law principles. Based on the foregoing, Respondent requests the dismissal of the claim in its entirety, award Chalfin his costs and disbursements, including reasonable attorneys' fees as may be allowed by law, and such other and further relief deemed just and proper.

Award**

After due deliberation and in consideration of the hearing testimony, documentary evidence, and other submissions made by the parties, the undersigned arbitrators, in full and final resolution of all issues in controversy, award as follows:

1. Claimant is hereby awarded \$260,225.
2. Claimant is hereby awarded \$60,000 in attorney fees and costs.
3. Respondent's request for attorney fees and costs is denied.

** Pursuant to CBOE Rule 18.31, all monetary awards shall be paid within thirty (30) days of receipt unless a motion to vacate has been filed with a court of competent jurisdiction.

4. Claimant and Respondent shall pay all filing and forum fees as detailed below.

Forum Fees

Pursuant to Exchange Rule 18.33, the Arbitrators assess the following filing and forum fees:

Initial Filing Fee - Claim	\$750
Pre-hearing Session Fees	\$0
Hearing session Fees (3 x \$750)	\$2,250
Total	\$3,000

1. Responsibility for the filing fee, totaling \$750, shall be assessed as follows: Claimant shall be responsible for \$750.
2. Responsibility for the forum fees, totaling \$2,250, shall be assessed as follows: Claimant shall be responsible for \$1,125 and Respondent shall be responsible for \$1,125.
3. The Exchange shall retain the non-refundable filing fees and the hearing session deposits, as previously submitted by Claimant. Claimant initially submitted \$1500.
4. Claimant shall submit an additional \$375 to the Chicago Board Options Exchange, Incorporated.
5. Respondent shall submit \$1,125 to the Chicago Board Options Exchange, Incorporated.

<u>/s/ Stephen Donahue</u>	<u>9-19-07</u>
Stephen Donahue, Chairman and Industry Arbitrator	Date

<u>/s/ Patrick McDermott</u>	<u>9-20-07</u>
Patrick McDermott, Industry Arbitrator	Date

<u>/s/ Kevin Lawless</u>	<u>9-18-07</u>
Kevin Lawless, Industry Arbitrator	Date