

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 73442 / October 27, 2014

INVESTMENT ADVISERS ACT OF 1940
Release No. 3958 / October 27, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-16217

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In the Matter of	:	ORDER INSTITUTING
	:	ADMINISTRATIVE AND
	:	CEASE-AND-DESIST PROCEEDINGS
	:	PURSUANT TO SECTION 21C OF THE
THRASOS TOMMY	:	SECURITIES EXCHANGE ACT OF 1934
PETROU,	:	AND SECTION 203(f) OF THE INVESTMENT
	:	ADVISERS ACT OF 1940, MAKING
	:	FINDINGS, IMPOSING A CEASE-AND
Respondent.	:	DESIST ORDER AND REMEDIAL
	:	SANCTIONS, AND NOTICE
_____	:	OF HEARING

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative and cease-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Thrasos Tommy Petrou (“Respondent” or “Petrou”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (“Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, and

Section 203(f) of the Investment Advisers Act of 1940, Making Findings and Imposing a Cease-and Desist Order and Remedial Sanctions, and Notice of Hearing, as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

1. These proceedings arise out of multiple violations of Rule 105 of Regulation M of the Exchange Act ("Rule 105") by Petrou. Rule 105 prohibits buying any equity security that is the subject of a covered public offering from an underwriter or broker or dealer participating in the offering after having sold short the same security during the restricted period as defined therein. From December 16, 2009 through January 12, 2012 ("Relevant Period"), while trading for himself and two unregistered entities, in connection with twenty covered public offerings, Petrou bought offering shares from an underwriter or broker or dealer participating in a follow-on or secondary public offering after having sold short the same security during the restricted period.

Respondent

2. Petrou, age 40, is a resident of Brooklyn, New York. From approximately April 2008 to January 2012, Petrou traded securities for Worldwide Capital, Inc., and from approximately September 2010 to February 2013, he traded securities for an unregistered investment fund managed by War Chest Capital Partners LLC. Since March 2013, Petrou has been trading securities for another unregistered entity that is controlled by another individual who previously traded for Worldwide and War Chest. Petrou has never been associated with a registered broker-dealer or registered investment adviser.

Other Relevant Persons

3. At all relevant times, Worldwide was a Delaware corporation with its principal place of business in Nassau County, New York, and the *alter ego* of Jeffrey W. Lynn, who formed it for the purpose of trading his own capital. Worldwide and Lynn were the subjects of a recent Commission action against them for their violations of Rule 105. *Worldwide Capital, Inc., and Jeffrey W. Lynn*, Exchange Act Release No. 71653 (Mar. 5, 2014). (Worldwide and Lynn are collectively referred to hereafter as Worldwide.) Worldwide has never been registered with the Commission in any capacity.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement. These findings are solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party. The findings herein are not binding on any other person or entity in this or any other proceeding.

4. At all relevant times, War Chest was a Delaware limited liability company with its principal place of business in New York, New York. At all relevant times, War Chest provided investment advisory services to one unregistered domestic investment fund with total assets under management of approximately \$8 million (“the War Chest fund”). War Chest was the subject of a Commission enforcement action for its violations of Rule 105, *War Chest Capital Partners LLC*, Exchange Act Release No. 70411 (Sept. 16, 2013). War Chest has never been registered with the Commission in any capacity.

Legal Framework

5. Rule 105 makes it unlawful for a person to purchase equity securities in a covered public offering from an underwriter or broker or dealer participating in the offering if that person sold short the security that is the subject of the offering during the restricted period defined in the rule, absent an exception. 17 C.F.R. § 242.105; *see Short Selling in Connection with a Public Offering*, Exchange Act Release No. 56206, 72 Fed. Reg. 45094 (Aug. 10, 2007). The Rule 105 restricted period is the shorter of the period: (1) beginning five business days before the pricing of the offered securities and ending with such pricing; or (2) beginning with the initial filing of a registration statement or notification on Exchange Act Form 1-A or Form 1-E and ending with pricing.

6. Rule 105 applies irrespective of the short seller’s intent in effecting the short sale. “The prohibition on purchasing offered securities . . . provides a bright line demarcation of prohibited conduct consistent with the prophylactic nature of Regulation M.” *Short Selling in Connection with a Public Offering*, 72 Fed. Reg. at 45096. The Commission adopted Rule 105 in an effort to prevent manipulative short selling prior to a public offering and, therefore, “to foster secondary and follow-on offering prices that are determined by independent market dynamics and not by potentially manipulative activity.” *Id.* at 45094.

Petrou Violated Rule 105

7. From approximately April 2008 to January 2012, Petrou was one of a number of individuals who traded for Worldwide.² Under the terms of his arrangement with Worldwide, Worldwide funded Petrou’s trading and the two shared equally in the profits and were equally liable for the losses generated by that trading.

8. At all relevant times, Petrou’s and Worldwide’s principal investment strategy was to obtain the maximum allocations possible for short-term trading in initial public offerings, as well as follow-on and secondary offerings. Accordingly, Petrou opened numerous accounts at large broker-dealers in the name of a corporate entity he created, owned and controlled, and used those accounts to purchase offered shares. By contrast, many of Petrou’s sales of equity securities, including short sales, were executed through an account in Worldwide’s name at one of several smaller broker-dealers that catered to small institutional customers and professional

² Five of those individuals were the subjects of recent Commission enforcement actions for violations of Rule 105 committed while trading for Worldwide. Exchange Act Release Nos. 72517 through 72521 (July 2, 2014).

traders. Regardless of the account in which the purchase or sale was executed, all of Petrou's trades for Worldwide were funded by Lynn, and executed, cleared and settled in a Worldwide master account at Worldwide's prime broker.

9. From September 2010 to February 2013, Petrou was one of a number of individuals who traded for the War Chest fund. He did so through War Chest, which managed the War Chest fund's portfolio, and retained him as a trader through a pass-through entity created, owned, and controlled by another War Chest (and Worldwide) trader. The War Chest fund financed Petrou's trading and the two shared equally in the profits and were equally liable for the losses generated by that trading.

10. At all relevant times, one of the trading strategies employed by War Chest and Petrou was to buy and sell short publicly traded equity and debt securities. Petrou opened multiple accounts at large broker-dealers in the names of multiple corporate entities he created, owned and controlled, and in the names of several of his relatives. It was through those accounts that Petrou purchased shares in covered offerings, after having sold short the offered securities during the restricted period through one master account in the name of the War Chest fund at one of several smaller broker-dealers.

11. As reflected in the Appendix, from December 2009 to January 2012, in connection with twenty offerings, Petrou committed twenty-eight violations of Rule 105 by purchasing offering shares from an underwriter or broker or dealer participating in a covered offering after having sold short the same security during the restricted period. With respect to eight of the offerings, the violations occurred in connection with his trading for both Worldwide and the War Chest fund, with respect to eleven of the offerings, the violations occurred solely in connection with his trading for Worldwide, and with respect to one offering, the violations occurred solely in connection with his trading for the War Chest fund.

12. As a result of these violations, Petrou received ill-gotten gains produced by the violative trades.

Petrou Acted as an Investment Adviser and was An Associated Person of an Investment Adviser

13. With certain exceptions, an investment adviser is defined under the Advisers Act as "any person who, for compensation, engages in the business of advising others, directly or through publications or other writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities. . . ." Advisers Act Section 202(a)(11). By virtue of his trading for Worldwide, Petrou acted as an investment adviser to Worldwide and Lynn. By virtue of his trading for the War Chest fund, Petrou acted as an investment adviser to the fund and was an associated person of War Chest, which was also an investment adviser to the War Chest fund.

Violations

14. As a result of the conduct described above, Petrou willfully violated Rule 105 of Regulation M under the Exchange Act.

IV.

Pursuant to this Order, Respondent agrees to additional proceedings in this proceeding to determine what, if any, disgorgement, prejudgment interest and civil penalties pursuant to Sections 21B and 21C of the Exchange Act and Section 203 of the Advisers Act are in the public interest. In connection with such additional proceedings: (a) Respondent agrees that he will be precluded from arguing that he did not violate the federal securities laws described in this Order; (b) Respondent agrees that he may not challenge the validity of this Order; (c) solely for the purposes of such additional proceedings, the allegations of the Order shall be accepted as and deemed true by the hearing officer; and (d) the hearing officer may determine the issues raised in the additional proceedings on the basis of affidavits, declarations, excerpts of sworn deposition or investigative testimony, and documentary evidence.

V.

In view of the foregoing, the Commission deems it appropriate in the public interest and for the protection of investors to impose the sanctions agreed to in the Offer, and to institute proceedings to determine what, if any, disgorgement and civil penalties are appropriate.

Accordingly, pursuant to Section 21C of the Exchange Act and Sections 203(f) of the Advisers Act, it is hereby ORDERED that:

- A. Respondent Petrou shall cease and desist from committing or causing any violations and any future violations of Rule 105 of Regulation M of the Exchange Act; and
- B. Respondent Petrou is censured.

VI.

IT IS FURTHER ORDERED that a public hearing for the purpose of taking evidence on the questions set forth in Section IV hereof shall be convened not earlier than thirty (30) days and not later than sixty (60) days from service of this Order at a time and place to be fixed, and before an Administrative Law Judge to be designated by further order as provided by Rule 110 of the Commission's Rules of Practice, 17 C.F.R. § 201.110.

VII.

If Petrou fails to appear at a hearing after being duly notified, Petrou may be deemed in default and the proceedings may be determined against him upon consideration of this Order, the allegations of which may be deemed to be true as provided by Rules 155(a), 220(f), 221(f), and 310 of the Commission's Rules of Practice, 17 C.F.R. §§ 201.155(a), 201.220(f), 201.221(f) and 201.310.

This Order shall be served forthwith upon Petrou personally or by certified mail.

IT IS FURTHER ORDERED that the Administrative Law Judge shall issue an initial decision no later than 300 days from the date of service of this Order, pursuant to Rule 360(a)(2) of the Commission's Rules of Practice.

In the absence of an appropriate waiver, no officer or employee of the Commission engaged in the performance of investigative or prosecuting functions in this or any factually related proceeding will be permitted to participate or advise in the decision of this matter, except as witness or counsel in proceedings held pursuant to notice. Since this proceeding is not "rule making" within the meaning of Section 551 of the Administrative Procedure Act, it is not deemed subject to the provisions of Section 553 delaying the effective date of any final Commission action.

By the Commission.

Brent J. Fields
Secretary

Appendix
Petrou's Violative Trading

FUNDING ENTITY	ISSUER	PRICING DATE & TIME	MATCHING	AVERAGE	OFFERING SHARES PURCHASED	OFFERING OVERAGE	OFFERING PRICE PER SHARE	VWAP
			RESRICTED PERIOD SHORT POSITION	PRICE OF SHORT POSITION				
WW	Citigroup, Inc. (C)	12/16/2009 After Close	868,300	\$ 3.56	2,500,000	1,631,700	\$ 3.15	\$ 3.18
WW	Genco Shipping & Trading Ltd. (GNK)	7/21/2010 After Close	8,000	\$ 16.37	8,000	0	\$ 16.00	\$ 16.52
WW	Government Properties Income (GOV)	8/5/2010 After Close	3,300	\$ 25.90	170,900	167,600	\$ 25.00	\$ 25.01
WW	Petroleo Brasileiro (PBR)	9/23/2010 After Close	17,200	\$ 35.40	17,200	0	\$ 34.49	\$ 35.39
WW	Noranda Aluminum Holding Corp. (NOR)	12/6/2010 After Close	320	\$ 11.56	320	0	\$ 11.35	\$ 11.53
WW	Stillwater Mining Company (SWC)	12/7/2010 After Close	3,000	\$ 20.61	3,000	0	\$ 19.50	\$ 19.15
WW	American Capital Agency Corp. (AGNC)	1/13/2011 After Close	12,500	\$ 28.88	22,000	9,500	\$ 28.00	\$ 28.77
WC	American Capital Agency Corp. (AGNC)	1/13/2011 After Close	4,600	\$ 28.85	4,600	0	\$ 28.00	\$ 28.77
WW	LDK Solar Co., Ltd. (LDK)	1/27/2011 Before Open	2,000	\$ 12.60	2,000	0	\$ 12.40	\$ 12.73
WW	Molycorp, Inc. (MCP)	2/11/2011 After Close	600	\$ 51.00	600	0	\$ 50.00	\$ 48.52
WW	YPF Sociedad Anonima (YPF)	3/22/2011 After Close	800	\$ 42.15	800	0	\$ 41.00	\$ 41.35
WW	Newcastle Investment Corporation (NCT)	3/23/2011 After Close	14,357	\$ 6.10	25,000	10,643	\$ 6.00	\$ 5.96
WC	Energy Transfer Partners, L.P. (ETP)	3/29/2011 Before Open	8,000	\$ 51.01	10,500	2,500	\$ 50.52	\$ 50.68
WC	Cobalt International Energy Inc. (CIE)	4/11/2011 After Close	1,000	\$ 15.04	1,000	0	\$ 14.00	\$ 14.08
WW	Cobalt International Energy Inc. (CIE)	4/11/2011 After Close	200	\$ 15.41	200	0	\$ 14.00	\$ 14.08
WW	American International Group, Inc. (AIG)	5/24/2011 After Close	19,500	\$ 29.58	19,500	0	\$ 29.00	\$ 28.21
WC	American International Group, Inc. (AIG)	5/24/2011 After Close	7,500	\$ 29.59	8,200	700	\$ 29.00	\$ 28.21
WW	Arch Coal, Inc. (ACI)	6/2/2011 After Close	400	\$ 27.45	400	0	\$ 27.00	\$ 27.16
WC	Arch Coal, Inc. (ACI)	6/2/2011 After Close	12,700	\$ 27.56	12,700	0	\$ 27.00	\$ 27.16
WW	Five Star Quality Care, Inc. (FVE)	6/15/2011 After Close	15,300	\$ 5.43	15,300	0	\$ 5.00	\$ 5.06
WC	Five Star Quality Care, Inc. (FVE)	6/15/2011 After Close	5,700	\$ 5.48	5,700	0	\$ 5.00	\$ 5.06
WW	Excel Trust, Inc. (EXL)	6/23/2011 After Close	300	\$ 10.96	300	0	\$ 10.94	\$ 11.24
WC	Excel Trust, Inc. (EXL)	6/23/2011 After Close	500	\$ 10.96	500	0	\$ 10.94	\$ 11.24
WW	Calumet Specialty Products Partners, LP (CLMT)	9/8/2011 After Close	2,500	\$ 18.17	5,000	2,500	\$ 18.00	\$ 17.37
WC	Calumet Specialty Products Partners, LP (CLMT)	9/8/2011 After Close	2,500	\$ 18.17	2,500	0	\$ 18.00	\$ 17.37
WC	Newcastle Investment Corporation (NCT)	9/21/2011 After Close	33,300	\$ 4.73	33,300	0	\$ 4.55	\$ 4.41
WW	Newcastle Investment Corporation (NCT)	9/21/2011 After Close	14,477	\$ 4.88	20,000	5,523	\$ 4.55	\$ 4.41
WW	Linn Energy, LLC (LINE)	1/12/2012 After Close	10,000	\$ 36.24	20,200	10,200	\$ 35.95	\$ 35.93