

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 68477 / December 19, 2012

ADMINISTRATIVE PROCEEDING
File No. 3-15142

In the Matter of

Michael Passaro,

Respondent.

ORDER INSTITUTING
ADMINISTRATIVE PROCEEDINGS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”) against Michael Passaro (“Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “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, Respondent consents to the Commission’s jurisdiction over him and the subject matter of these proceedings and to the entry of this Order Instituting Administrative Proceedings Pursuant to Section 15(b) of the Securities Exchange Act of 1934 Making Findings, and Imposing Remedial Sanctions (“Order”), as set forth below.

III.

On the basis of this Order and Respondent’s Offer, the Commission finds that:

1. Passaro was a registered representative (“RR”) at The Thornwater Company, L.P. (“Thornwater”) from 2000 to 2002. Passaro next was an RR Sky Capital LLC (now known as Granta Capital LLC) (“Sky Capital”), a New York-based broker-dealer, from 2001 to 2008. Passaro, 49 years old, is a resident of Charlotte, North Carolina.

2. On January 28, 2011, Passaro pled guilty to (1) conspiracy: to commit fraud in connection with the purchase or sale of securities, in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5; to commit wire fraud, in violation of Title 18 United States Code, Section 1343; and to commit mail fraud in violation of Title 18, United States Code, Section 1341; (2) securities fraud in violation of Title 15, United States Code, Sections 78j(b) and 78ff, and Title 17, Code of Federal Regulations, Section 240.10b-5; (3) wire fraud in violation of Title 18 United States Code, Section 1343 and 2; (4) mail fraud in violation of Title 18, United States Code, Section 1341 and 2, before the United States District Court for the Southern District of New York, in United States v. Ross Mandell, et al, 09-cr-662 (S.D.N.Y.). Passaro’s sentencing hearing has not yet been scheduled.

3. The counts of the criminal indictment under which Passaro pled guilty alleged, inter alia, that after Passaro began working at Thornwater, and through at least 2006, he and others participated in a securities fraud scheme through Thornwater and Sky Capital. Passaro and others carried out this scheme by soliciting millions of dollars from investors under false pretenses, manipulating the market for certain affiliated companies’ stocks, failing to use investors’ funds as promised, and misappropriating and converting investors’ funds without their knowledge. In furtherance of this scheme, Passaro and others used material misrepresentations and omissions to cause individuals to invest in a series of purported investment opportunities, including private placements. Passaro and others raised a total of approximately \$140 million from investors through their fraudulent scheme. Passaro and his co-defendants used those funds to enrich themselves, pay undisclosed commissions to brokers, and pay off earlier investors who had lost funds on prior purported investment opportunities.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Passaro’s Offer.

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act that Respondent Passaro be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a

number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

For the Commission, by its Secretary, pursuant to delegated authority.

Elizabeth M. Murphy
Secretary