UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 73106 / September 16, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-16110

In the Matter of **ROCKWOOD INVESTMENT MANAGEMENT, INC.** **Respondent.**	**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING A CEASE-AND-DESIST ORDER AND CIVIL PENALTY**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 ("Exchange Act"), against Rockwood Investment Management, Inc. ("Rockwood" or "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, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order and Civil Penalty ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that:

Summary

1. These proceedings arise out of violations of Rule 105 of Regulation M of the Exchange Act by Rockwood, a Connecticut-based exempt reporting adviser. Rule 105 prohibits selling short an equity security that is the subject of certain public offerings and purchasing the offered security from an underwriter or broker or dealer participating in the offering, if such short sale was effected during the restricted period as defined therein.

2. On six occasions, from May 2010 through July 2012, Rockwood bought offering shares from an underwriter or broker or dealer participating in a follow-on public offering after having sold short the same security during the Rule 105 restricted period. These violations collectively resulted in profits of $156,631.

Respondent

3. Rockwood Investment Management, Inc. is a corporation incorporated in Delaware with its principal place of business in Greenwich, Connecticut. Rockwood Investment Management, Inc. was an exempt reporting adviser at the time of the violations. Rockwood Investment Management, Inc. provides advisory services to one domestic fund and has total assets under management in excess of $121 million.

Legal Framework

4. Rule 105 makes it unlawful for a person to purchase equity securities in certain public offerings from an underwriter, 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, Rel. No. 34-56206, 72 Fed. Reg. 45094 (Aug. 10, 2007) (effective Oct. 9, 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 Form 1-A or Form 1-E and ending with the pricing. 17 C.F.R. § 242.105(a)(1) and (a)(2).

5. The Commission adopted Rule 105 "to foster secondary and follow-on offering prices that are determined by independent market dynamics and not by potentially manipulative activity." 72 Fed. Reg. 45094. Rule 105 is prophylactic and prohibits the conduct irrespective of the short seller's intent in effecting the short sale. Id.

[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Rockwood's Violations of Rule 105 of Regulation M

6. On May 11, 2010, Rockwood sold short 9,000 shares of American Capital Agency Corp. ("AGNC") during the restricted period at a price of $27.6914 per share. On May 14, 2010, AGNC announced the pricing of a follow-on offering of its common stock at $25.75 per share. Rockwood received an allocation of 46,100 shares in that offering. The difference between Rockwood's proceeds from the restricted period short sales of AGNC shares and the price paid for the 9,000 shares received in the offering was $17,472. Thus, Rockwood's participation in the 2010 AGNC offering resulted in total profits of $17,472.

7. On January 3, 2011, Rockwood sold short 47,864 shares of Annaly Capital Management Inc. ("NLY") during the restricted period at a price of $17.6162 per share. On January 4, 2011, NLY priced a follow-on offering of its common stock at $17.20 per share. Rockwood received an allocation of 250,000 shares in that offering. The difference between Rockwood's proceeds received from the restricted period short sales of NLY shares and the price paid for the 47,864 shares received in the offering was $19,920.98. Respondent also improperly obtained a benefit of $38,062.21 by purchasing the remaining 202,136 shares at a discount from NLY's market price. Thus, Rockwood's participation in the NLY offering resulted in total profits of $57,983.

8. From March 4, 2011 through March 8, 2011, Rockwood sold short 6,900 shares of Two Harbors Investment Co. ("TWO") during the restricted period at an average price of $11.3263 per share. On March 11, 2011, TWO priced a follow-on offering of its common stock at $10.25 per share. Rockwood received an allocation of 120,000 shares in that offering. The difference between Rockwood's proceeds received from the restricted period short sales of TWO shares and the price paid for the 6,900 shares received in the offering was $7,242.92. Respondent also improperly obtained a benefit of $12,418.38 by purchasing the remaining 113,100 shares at a discount from TWO's market price. Thus, Rockwood's participation in the TWO offering resulted in total profits of $19,661.

9. On March 15, 2011, Rockwood sold short 13,954 shares of Hatteras Financial Corp. ("HTS") during the restricted period at a price of $30.8666 per share. On March 18, 2011, HTS announced the pricing of a follow-on offering of its common stock at $28.50 per share. Rockwood received an allocation of 25,000 shares in that offering. The difference between Rockwood's proceeds from the restricted period short sales of HTS shares and the price paid for the 13,954 shares received in the offering was $33,024. Thus, Rockwood's participation in the HTS offering resulted in total profits of $33,024.

10. From March 2, 2012 through March 5, 2012, Rockwood sold short 15,000 shares of American Capital Agency Co. ("AGNC") during the restricted period at an average price of $30.6025 per share. On March 7, 2012, AGNC priced a follow-on offering of its common stock at $29.35 per share. Rockwood received an allocation of 26,000 shares in that offering. The difference between Rockwood's proceeds received from the restricted period short sales of AGNC

shares and the price paid for the 15,000 shares received in the offering was $20,725. Respondent also improperly obtained a benefit of $1,227.60 by purchasing the remaining 11,000 shares at a discount from AGNC's market price. Thus, Rockwood's participation in the March 2012 AGNC offering resulted in total profits of $21,953.

11. On July 17, 2012, Rockwood sold short 6,000 shares of American Capital Agency Co. ("AGNC") during the restricted period at a price of $34.8269 per share. On July 18, 2012, AGNC priced a follow-on offering of its common stock at $34.10 per share. Rockwood received an allocation of 30,000 shares in that offering. The difference between Rockwood's proceeds received from the restricted period short sales of AGNC shares and the price paid for the 6,000 shares received in the offering was $4,361.20. Respondent also improperly obtained a benefit of $2,176.80 by purchasing the remaining 24,000 shares at a discount from AGNC's market price. Thus, Rockwood's participation in the March 2012 AGNC offering resulted in total profits of $6,538.

12. In total, Rockwood's violations of Rule 105 resulted in profits of $156,631.

Violations

13. As a result of the conduct described above, Rockwood violated Rule 105 of Regulation M under the Exchange Act.

Rockwood's Remedial Efforts & Cooperation

14. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded to Commission staff.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Rockwood's Offer.

Accordingly, it is hereby ORDERED that**:**

A. Pursuant to Section 21C of the Exchange Act, Respondent Rockwood cease and desist from committing or causing any violations and any future violations of Rule 105 of Regulation M of the Exchange Act;

B. Rockwood shall within fourteen (14) days of the entry of this Order, pay disgorgement of $156,631, prejudgment interest of $9,222.16, and a civil money penalty in the amount of $72,135.23 (for a total of $237,988.39) to the United States Treasury. If timely payment is not made on the disgorgement amount, additional interest shall accrue pursuant to SEC Rule of Practice 600. If timely payment is not made on the civil money penalty, additional interest shall accrue pursuant to 31 U.S.C. 3717. Payments must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;[2]
(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or
(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Rockwood as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Gerald W. Hodgkins, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549.

By the Commission.

Jill M. Peterson
Assistant Secretary

[2] The minimum threshold for transmission of payment electronically is $1,000,000. For amounts below the threshold, respondents must make payments pursuant to options (2) or (3) above.