

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 73111 / September 16, 2014**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16115**

**In the Matter of**

**TROUBH PARTNERS LP**

**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 Troubh Partners LP (“Troubh” 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<sup>1</sup> that:

#### **Summary**

1. These proceedings arise out of violations of Rule 105 of Regulation M of the Exchange Act by Troubh, a New York-based investment firm. 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 four occasions, from May 2009 through March 2010, Troubh 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 \$262,744.

#### **Respondent**

3. Troubh Partners LP is a limited partnership with its principal place of business in New York, New York and is not registered with the SEC. Troubh Partners LP has been in existence since 1997 and has approximately \$23 million in assets under management.

#### **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.

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<sup>1</sup> 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.

## **Troubh's Violations of Rule 105 of Regulation M**

6. On May 12, 2009, Troubh sold short 25,000 shares of MGM Resorts International ("MGM") during the restricted period at a price of \$13.2138 per share. On May 13, 2009, MGM announced the pricing of a follow-on offering of its common stock at \$7.00 per share. Troubh received an allocation of 5,000 shares in that offering. The difference between Troubh's proceeds from the restricted period short sales of MGM shares and the price paid for the 5,000 shares received in the offering was \$31,069. Thus, Troubh's participation in the MGM offering resulted in total profits of \$31,069.

7. On June 1, 2009, Troubh sold short 60,000 shares of JP Morgan Chase & Co. ("JPM") during the restricted period at a price of \$37.2040 per share. On June 2, 2009, JPM announced the pricing of a follow-on offering of its common stock at \$35.25 per share. Troubh received an allocation of 10,000 shares in that offering. The difference between Troubh's proceeds from the restricted period short sales of JPM shares and the price paid for the 10,000 shares received in the offering was \$19,540. Thus, Troubh's participation in the JPM offering resulted in total profits of \$19,540.

8. From December 10, 2009 through December 14, 2009, Troubh sold short 267,800 shares of Citigroup Inc. ("C") during the restricted period at an average price of \$3.8509 per share. On December 16, 2009, C priced a follow-on offering of its common stock at \$3.15 per share. Troubh received an allocation of 1,000,000 shares in that offering. The difference between Troubh's proceeds received from the restricted period short sales of C shares and the price paid for the 267,800 shares received in the offering was \$185,592.26. Respondent also improperly obtained a benefit of \$25,553.78 by purchasing the remaining 732,200 shares at a discount from C's market price. Thus, Troubh's participation in the C offering resulted in total profits of \$211,146.

9. On March 17, 2010, Troubh sold short 10,000 shares of the Hartford Financial Services Group, Inc. ("HIG") during the restricted period at a price of \$28.7392 per share. On March 17, 2010, HIG priced a follow-on offering of its common stock at \$27.75 per share. Troubh received an allocation of 1,000 shares in that offering. The difference between Troubh's proceeds received from the restricted period short sales of HIG shares and the price paid for the 1,000 shares received in the offering was \$989. Thus, Troubh's participation in the HIG offering resulted in total profits of \$989.

10. In total, Troubh's violations of Rule 105 resulted in profits of \$262,744.

### **Violations**

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

## **Troubh's Remedial Efforts & Cooperation**

12. 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 Troubh's Offer.

Accordingly, it is hereby ORDERED that:

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

B. Troubh shall within fourteen (14) days of the entry of this Order, pay disgorgement of \$262,744, prejudgment interest of \$39,315.13, and a civil money penalty in the amount of \$106,651.15 (for a total of \$408,710.28) 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;<sup>2</sup>
- (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 Troubh as a Respondent in these proceedings, and the file number of these proceedings; a copy of

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<sup>2</sup> 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.

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