

UNITED STATES DISTRICT COURT
DISTRICT OF MASSACHUSETTS

_____)		
SECURITIES AND EXCHANGE COMMISSION,)		
)	
Plaintiff,)		
)	
v.)	C.A. No. _____	
)	
CARLOS J. PETRY,)		
)	
Defendant.)		
_____)		

COMPLAINT

Plaintiff Securities and Exchange Commission ("Commission") alleges the following against defendant Carlos J. Petry ("Petry"):

SUMMARY

1. This case involves Petry's insider trading in the securities of Chaparral Steel Co. ("Chaparral"), a publicly-traded company headquartered in Midlothian, Texas, that produces and supplies structural steel products, in advance of a July 10, 2008 announcement that Chaparral would be acquired by Gerdau Ameristeel, S.A. ("Gerdau Ameristeel"), a publicly-traded company based in Florida, which is a mini-mill steel producer. During the relevant period, Petry was a director of Gerdau, S.A. ("Gerdau"), a Brazilian steel producer that is the parent company of Gerdau Ameristeel. While serving as a director of Gerdau, Petry traded in the securities of Chaparral while in possession of material, non-public information about the possible acquisition of Chaparral by Gerdau Ameristeel.

2. In or about May 2007, through his position as a director of Gerdau, Petry learned that Gerdau Ameristeel had identified Chaparral as one of seven or eight possible acquisition targets. During early June 2007, again through his position as a director of Gerdau, Petry learned that Gerdau Ameristeel had begun conducting extensive due diligence work on Chaparral in connection with a possible acquisition and that Gerdau Ameristeel planned on requesting approval from the Gerdau board at its next meeting to make an acquisition proposal to Chaparral. On June 26, 2007, Petry attended the Gerdau board of directors meeting at which Gerdau Ameristeel presented the board with the parameters of its proposed merger with Chaparral. During the meeting, the Gerdau board authorized Gerdau Ameristeel to proceed with its bid and, in the following two weeks, Gerdau Ameristeel and Chaparral, with the approval of the Gerdau board, finalized the merger agreement. The possible acquisition of Chaparral by Gerdau Ameristeel was material, non-public information that Petry was privy to by virtue of his position as a member of Gerdau's board of directors.

3. Between June 25 and 27, 2007, Petry, while in the possession and on the basis of material, non-public information concerning the possible acquisition of Chaparral by Gerdau Ameristeel, purchased 8,500 shares of Chaparral stock at prices ranging from \$68.41 to \$72.00 per share.

4. In the afternoon of July 10, 2007, after the closing of the market, Gerdau Ameristeel issued a press release publicly announcing its acquisition of Chaparral. The closing price of Chaparral stock increased 11 percent the next day, from \$75.69 per share at the close of

trading on July 10, 2007, to \$83.67 per share. Based on this change in Chaparral's stock price, Petry profited by \$105,044.

5. By engaging in the conduct described above and more fully below, Petry violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5], and reaped \$105,044 in ill-gotten gains. Accordingly, the Commission seeks the following relief against Petry: (i) the entry of a permanent injunction prohibiting Petry from violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]; (ii) disgorgement of Petry's ill-gotten gains from his insider trading, plus prejudgment interest thereon; (iii) the imposition of a civil monetary penalty; and (iv) an order prohibiting Petry from acting as an officer or director of a publicly-traded issuer.

JURISDICTION AND VENUE

6. This Court has jurisdiction over this action pursuant to Sections 21, 21A, and 27 of the Exchange Act [15 U.S.C. §§ 78u, 78u-1, and 78aa].

7. The Commission seeks a permanent injunction and disgorgement pursuant to Section 21(d)(1) of the Exchange Act [15 U.S.C. § 78u(d)(1)]. The Commission seeks the imposition of a civil monetary penalty pursuant to Section 21A of the Exchange Act [15 U.S.C. § 78u-1]. The Commission seeks an order prohibiting Petry from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports with the Commission pursuant to Section 15(d) of

the Exchange Act [15 U.S.C. § 78o(d)], pursuant to Section 21(d)(2) of the Exchange Act [15 U.S.C. § 78u(d)(2)].

8. In connection with the conduct described in this Complaint, Petry directly or indirectly made use of the mails or the means or instruments of transportation or communication in interstate commerce or the means or instrumentalities of interstate commerce or the facilities of a national securities exchange.

DEFENDANT AND RELEVANT ENTITIES

9. **Petry**, age 67, was a member of Gerdau's board of directors from 1983 through January 2008, when he resigned following the disclosure of his purchases of Chaparral stock. He is currently a resident of Porto Alegre, Brazil.

10. **Chaparral Steel Company** was a Delaware corporation headquartered in Midlothian, Texas, that produced and supplied structural steel products. Until its acquisition by Gerdau Ameristeel, Chaparral's common stock traded on the Nasdaq Global Market System and was registered with the Commission pursuant to Section 12(g) of the Exchange Act.

11. **Gerdau Ameristeel Corporation** is a Canadian corporation with headquarters in Tampa, Florida, and is a mini-mill steel producer. Gerdau Ameristeel's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act.

12. **Gerdau, S.A.** is a Brazilian corporation that is a steel producer. Gerdau owns 67% of Gerdau Ameristeel Corporation. Gerdau's common stock is not registered with the Commission, but its American depositary receipts ("ADRs") are listed on the New York Stock

Exchange, and the preferred shares (represented by American depositary shares) underlying the ADRs are registered with the Commission under Exchange Act Rule 12a-8.

STATEMENT OF FACTS

Background Regarding Gerdau Ameristeel's Acquisition of Chaparral

13. In a press release dated April 25, 2007, Chaparral announced that its board of directors had retained Goldman, Sachs & Company ("Goldman") to review strategic alternatives including, but not limited to, possible strategic partnerships, mergers and acquisitions. Subsequently, Goldman solicited indications of interest from third parties, including Gerdau, in acquiring Chaparral.

14. On or about May 30, 2007, Gerdau Ameristeel submitted to Chaparral a non-binding indication of interest in acquiring all of Chaparral's common stock, with a proposed offering price range of \$61 to \$66 per share in cash. Gerdau Ameristeel then executed a confidentiality agreement with Chaparral and began its due diligence.

15. Throughout June 2007, Gerdau Ameristeel conducted due diligence work on Chaparral. On June 18, Goldman requested Gerdau Ameristeel to provide a definitive acquisition proposal, accompanied by a merger agreement in a form the company would be willing to execute. On June 26, the board of directors of Gerdau discussed the potential merger during its regular meeting and authorized Gerdau Ameristeel to make an acquisition proposal to Chaparral.

16. On July 10, 2007, Chaparral, Gerdau Ameristeel, and Gerdau executed the merger agreement pursuant to which Gerdau Ameristeel would acquire the outstanding shares of Chaparral common stock at a price of \$86 per share in cash.

Petry Learns Material, Non-public Information

17. In early May 2007, Petry learned through his position as a director of Gerdau that Gerdau Ameristeel had identified Chaparral as one of 7 or 8 possible acquisition targets. Between early June and Gerdau's June 26, 2007, board of directors meeting, Petry, again through his position as a director of Gerdau, became aware that: (1) Gerdau, Gerdau Ameristeel, and Chaparral had substantial discussions concerning the possible merger and acquisition of Chaparral by Gerdau Ameristeel; and (2) Gerdau Ameristeel was conducting extensive due diligence work on Chaparral in connection with a potential merger. Petry was unaware of Gerdau Ameristeel or Gerdau conducting due diligence on any other entity, and thus it was apparent to Petry that Gerdau Ameristeel and Gerdau had at least temporarily focused their efforts on acquiring Chaparral.

18. Gerdau's board of directors scheduled a meeting for June 26, 2007. A few days prior to the June 26 board of directors meeting, Gerdau provided Petry with an agenda indicating that the board would be discussing Gerdau Ameristeel's proposal to acquire Chaparral. By at least this time, Petry was aware that Gerdau Ameristeel had substantial interest in a possible acquisition of Chaparral. During the June 26 meeting, the participants, including Petry, discussed the scope of the proposed merger, including the respective synergies between the

companies and the other potential bidders for Chaparral. At the conclusion of the meeting, the board authorized Gerdau Ameristeel to proceed with the proposal to acquire Chaparral.

19. Petry understood that all of the information he learned concerning Chaparral through his position as a director of Gerdau was non-public and confidential.

20. Petry knew that Gerdau's ethical guidelines prohibited employees from using information that has not been made available to the market, including inside information. Petry also understood generally that insider trading rules prohibited him from trading based on information he gained as a director of Gerdau.

Petry Buys Chaparral Stock

21. On June 25, 26, and 27, 2007, while in possession and on the basis of material, non-public information concerning the possible acquisition of Chaparral by Gerdau Ameristeel, Petry purchased 3500, 3500, and 1500 shares, respectively, of Chaparral stock at prices ranging from \$68.41 to \$72.00 per share for a total cost of \$606,151.

Petry Breached his Fiduciary Duty to Gerdau and its Shareholders When He Purchased Chaparral Stock While in Possession of Material, Nonpublic Information

22. At all relevant times, Petry was a Gerdau insider who had a fiduciary duty to the company, to its subsidiary Gerdau Ameristeel, and to its shareholders not to trade on the basis of material, nonpublic information he learned as a result of his position as an officer or director of Gerdau. Petry was subject to Gerdau's ethical guidelines, which generally prohibited the use of information that had not been made available to the public. Petry knew that this prohibition precluded him from trading securities on the basis of material, nonpublic information learned as an officer or director of Gerdau.

23. Petry violated his fiduciary duty to Gerdau and its shareholders when he purchased stock after learning material, nonpublic information concerning the possible acquisition of Chaparral by Gerdau Ameristeel.

24. Petry knew, or was reckless in not knowing, that when he purchased Chaparral stock while in possession of material, nonpublic information, he breached a duty that he owed to Gerdau and its shareholders.

The Public Announcement and Effect on Stock Price

25. On July 10, 2007, after the close of the markets, Gerdau Ameristeel issued a press release announcing the merger agreement between it and Chaparral. The next day, the closing price of Chaparral stock increased by \$7.98 per share, or approximately 11%, from \$75.69 per share at the close of trading on July 10, 2007, to \$83.67 per share at the close of trading on July 11, 2007.

26. As a result of his purchase of Chaparral stock while in possession of material, non-public information concerning the possible acquisition of Chaparral by Gerdau Ameristeel, Petry benefited by \$105,044.

CLAIM FOR RELIEF

(Violations of Section 10(b) of the Exchange Act and Rule 10b-5 Thereunder)

27. The Commission repeats and incorporates by reference the allegations in paragraphs 1 through 26 of the Complaint as if set forth fully herein.

28. As set forth above, during 2007, Petry knew that the information he possessed or misappropriated concerning the possible acquisition of Chaparral was material, confidential, and nonpublic. While in possession and on the basis of that information, and in breach of his fiduciary duty or similar duty of trust and confidence he owed to Gerdau and its shareholders, he purchased shares of Chaparral stock. Petry received ill-gotten gains as a result of the increase in Chaparral's stock price following the Public Announcement.

29. By reason of the foregoing, Petry, directly or indirectly, acting intentionally, knowingly or recklessly, by use of the means or instrumentalities of interstate commerce or of the mails or of the facilities of a national securities exchange, in connection with the purchase or sale of securities: (a) employed a device, scheme or artifice to defraud; (b) made an untrue statement of material fact or omitted to state a material fact necessary to make the statement made, in the light of the circumstances under which it was made, not misleading; or (c) engaged in an act, practice or course of business which operated as a fraud or deceit upon other persons, including purchasers of Chaparral stock.

30. As a result, Petry violated Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5].

PRAYER FOR RELIEF

WHEREFORE, the Commission requests that this Court:

A. Enter a permanent injunction prohibiting Petry from directly or indirectly violating Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5];

B. Require Petry to disgorge the ill-gotten gains from his insider trading, plus prejudgment interest thereon;

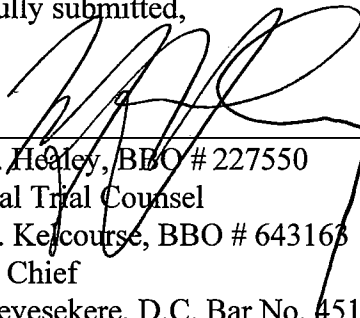
C. Order Petry to pay a civil monetary penalty;

D. Prohibit Petry from acting as an officer or director of any issuer that has a class of securities registered pursuant to Section 12 of the Exchange Act [15 U.S.C. § 78l] or that is required to file reports with the Commission pursuant to Section 15(d) of the Exchange Act [15 U.S.C. § 78o(d)]

E. Retain jurisdiction over this action to implement and carry out the terms of all orders and decrees that may be entered; and

F. Grant such other and further relief as the Court deems just and proper.

Respectfully submitted,



Martin F. Healey, BBO # 227550
Regional Trial Counsel
Kevin M. Ke/course, BBO # 643163
Branch Chief
Asita Obeyesekere, D.C. Bar No. 451637
Senior Counsel
Attorneys for Plaintiff
SECURITIES AND EXCHANGE COMMISSION
33 Arch Street, 23rd Floor
Boston, Massachusetts 02110
Telephone: (617) 573-8952 (Healey)
Facsimile: (617) 424-5940
healeym@sec.gov

Dated: September 29, 2008