

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 70399 / September 16, 2013**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15478**

**In the Matter of**

**HUDSON BAY CAPITAL  
MANAGEMENT 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 Hudson Bay Capital Management LP. (“Hudson Bay” 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 Hudson Bay, a New York-based registered investment adviser. Rule 105 prohibits buying an equity security made available through a public offering, conducted on a firm commitment basis, 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.

2. On four occasions, from May 2009 through December 2012, Hudson Bay bought offered shares from an underwriter or broker or dealer participating in a follow-on public offering after having sold short the same security during the restricted period. These violations collectively resulted in profits of \$665,674.96.

#### **Respondent**

3. Hudson Bay Capital Management LP is a Delaware limited partnership with its principal place of business in New York, New York. Hudson Bay Capital Management has been registered with the Commission as an investment adviser since March 30, 2012 and provides advisory services to two funds, each organized in a master-feeder structure, with total assets under management in excess of \$2.9 billion.

#### **Legal Framework**

4. Rule 105 makes it unlawful for a person to purchase equity securities from an underwriter, broker, or dealer participating in a public 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 Exchange Act Form 1-A or Form 1-E and ending with pricing.

5. "The goal of Rule 105 is to promote offering prices that are based upon open market prices determined by supply and demand rather than artificial forces." Final Rule: Short Sales, Exchange Act Release No. 50103. Rule 105 is prophylactic and prohibits the conduct irrespective of the short seller's intent in effecting the short sale.

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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.

## **Hudson Bay's Violations of Rule 105 of Regulation M**

6. On April 20, 2010, Hudson Bay sold short 444,500 shares of MGIC Investment Corp. ("MTG") during the restricted period at a weighted average price of \$11.1833 per share. On April 21, 2010, MTG announced the pricing of a follow-on offering of its common stock at \$10.75 per share. Hudson Bay received an allocation of 135,000 shares in that offering. The difference between Hudson Bay's proceeds from the restricted period short sales of MTG shares and the price paid for the 135,000 shares received in the offering was \$58,495.50. Thus, Hudson Bay's participation in the MTG offering netted total profits of \$58,495.50.

7. On December 7, 2012, Hudson Bay sold short 9,904 shares of American International Group, Inc. ("AIG") during the restricted period at a weighted average price of \$34.07 per share. On December 10, 2012, AIG announced the pricing of a follow-on offering of its common stock at \$32.50 per share. Hudson Bay received an allocation of 20,000 shares in that offering. The difference between Hudson Bay's proceeds from the restricted period short sales of AIG shares and the price paid for the 9,904 shares received in the offering was \$15,549.28. Respondent also improperly obtained a benefit of \$22,209.18 by purchasing the remaining 10,096 shares at a discount from AIG's market price. Thus, Hudson Bay's participation in the AIG offering netted total profits of \$37,758.46.

8. From September 17, 2010 through September 23, 2010, Hudson Bay sold short 465,000 shares of Petroleo Brasileiro SA ("PBR") during the restricted period at a weighted average price of \$35.0667 per share. On September 23, 2010, PBR announced the pricing of a follow-on offering of its common stock at \$34.49 per share. Hudson Bay received an allocation of 150,000 shares in that offering. The difference between Hudson Bay's proceeds from the restricted period short sales of PBR shares and the price paid for the 150,000 shares received in the offering was \$85,505.00. Thus, Hudson Bay's participation in the PBR offering netted total profits of \$85,505.00.

9. On May 6, 2009, Hudson Bay sold short 2,000 shares of Wells Fargo Co. ("WFC") during the restricted period at a weighted average price of \$24.69 per share. On May 8, 2009, WFC announced the pricing of a follow-on offering of its common stock at \$22.00 per share. Hudson Bay received an allocation of 150,000 shares in that offering. The difference between Hudson Bay's proceeds from the restricted period short sales of WFC shares and the price paid for the 2,000 shares received in the offering was \$5,380.00. Respondent also improperly obtained a benefit of \$478,536.00 by purchasing the remaining 148,000 shares at a discount from WFC's market price. Thus, Hudson Bay's participation in the WFC offering netted total profits of \$483,916.00.

10. In total, Hudson Bay's violations of Rule 105 resulted in profits of \$665,674.96.

## Violations

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

## Hudson Bay's Remedial Efforts

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 Hudson Bay's Offer.

Accordingly, it is hereby ORDERED that:

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

B. Hudson Bay shall within fourteen (14) days of the entry of this Order, pay disgorgement of \$665,674.96, prejudgment interest of \$11,661.31 and a civil money penalty in the amount of \$272,118 (for a total of \$949,454.27) to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 and 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 Hudson Bay as a Respondent in these proceedings, and the file number of these proceedings; a

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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.

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.

Elizabeth M. Murphy  
Secretary