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 Merus Capital Partners, LLC ("Merus Capital" 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 ("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 Merus Capital, a proprietary trading firm located in New York, New York. 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 three occasions, from August 2012 through April 2013, Merus Capital 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 approximately $8,402.

**Respondent**

3. Merus Capital Partners, LLC is a limited liability company organized under the laws of Delaware with its principal place of business in New York, New York. Merus Capital is a proprietary trading firm and, as such, invests its own capital. Merus Capital is registered with the Philadelphia Stock Exchange as a broker dealer.

**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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\(^1\) 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.
Merus Capital’s Violations of Rule 105 of Regulation M

6. On August 3, 2012, Merus Capital sold short 24,412 shares of American International Group Inc. (“AIG”) at prices ranging between $31.15 and $31.37. On August 3, 2012, AIG announced the pricing of a follow-on offering of 163,934,426 shares of its common stock at $30.50 per share. Merus Capital received an allocation of 1,000 shares in that offering. The difference between Merus Capital’s proceeds from the restricted period short sales of AIG shares and the price for 1,000 shares purchased in the offering was $840. Thus, Merus Capital’s participation in the AIG offering netted total profits of $840.

7. During the period from March 5, 2013 through March 6, 2013, Merus Capital sold short a total of 82,500 shares of MGIC Investment Corp. (“MGIC”) at prices ranging between $4.89 and $6.13. On March 7, 2013, MGIC announced the pricing of a follow-on offering of 135 million shares of its common stock at $5.15 per share. Merus Capital received an allocation of 22,500 shares in that offering. The difference between Merus Capital’s proceeds from the restricted period short sales of MGIC shares and the price for 22,500 shares purchased in the offering was $6,300. Thus, Merus Capital’s participation in the MGIC offering netted total profits of $6,300.

8. During the period from April 4, 2013 through April 10, 2013, Merus Capital sold short a net total of 1,300 shares of Synergy Pharmaceuticals Inc. (“SGYP”) at prices ranging between $6.09 and $7.33 per share. On April 10, 2013, SGYP announced the pricing of a follow-on offering of 16,375,000 shares of its common stock at $5.50 per share. Merus Capital received an allocation of 25,000 shares in the offering. The difference between Merus Capital’s proceeds from the restricted period short sales of SGYP shares and the price for 25,000 SGYP shares purchased in the offering was $1,262. Thus, Merus Capital’s participation in the SGYP offering netted total profits of $1,262.

9. In total, Merus Capital’s violations of Rule 105 resulted in profits of $8,402.

Violations

10. As a result of the conduct described above, Merus Capital violated Rule 105 of Regulation M under the Exchange Act.

Merus Capital’s Remedial Efforts

11. 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 Merus Capital’s Offer.
Accordingly, it is hereby ORDERED that:

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

B. Merus Capital shall within fourteen (14) days of the entry of this Order, pay disgorgement of $8,402, prejudgment interest of $63.65 and a civil money penalty in the amount of $65,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. 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 Merus Capital 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 Hodgkins, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549.

         By the Commission.

         Elizabeth M. Murphy
         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.