

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 71653 / March 5, 2014

ADMINISTRATIVE PROCEEDING
File No. 3-15772

In the Matter of

**WORLDWIDE CAPITAL, INC.,
and JEFFREY W. LYNN,**

Respondents.

**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**

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 against Worldwide Capital, Inc. (“Worldwide”) and Jeffrey W. Lynn (“Lynn”) (collectively, “Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have 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, Respondents consent 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 Respondents’ Offer, the Commission finds¹ that:

¹ The findings herein are made pursuant to Respondents’ Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Summary

1. These proceedings arise out of violations of Rule 105 of Regulation M of the Exchange Act by Lynn, operating through his alter ego, Worldwide. Rule 105 prohibits buying any equity security made available through a covered public offering 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 60 occasions, from October 31, 2007 through February 23, 2012, Worldwide 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 to Lynn and Worldwide of \$4,212,797.

Respondents

3. Worldwide is a Delaware corporation with its principal office in Nassau County, New York. Worldwide is a proprietary trading firm that Lynn formed in 1993 for the purpose of investing and trading his own capital. Worldwide has never been registered with the Commission in any capacity.

4. Lynn, age 55, is the sole owner and president of Worldwide. From 1984 until 1987, Lynn was a registered representative of Merrill Lynch, Pierce, Fenner & Smith Inc., where he traded fixed income securities. Lynn resides in Boca Raton, Florida.

5. Lynn at all relevant times considered Worldwide to be nothing more than the formal name given to the deposit of his capital at his clearing firm. Lynn's and Worldwide's activities were intertwined, moreover, and their assets were commingled. Lynn routinely used Worldwide's back office staff to pay his personal expenses, for example, and those payments were made directly from Worldwide's bank account, with no distinction or segregation being made between personal and business expenses. Lynn exercised complete dominion and control over Worldwide, and he and the traders he engaged to trade his capital in Worldwide's accounts regarded the two as one and the same.

6. Most of Worldwide's trades were effected by individual traders engaged by Lynn. Under the terms of their arrangements, Lynn and his individual traders were to share equally in the profits and losses earned or sustained on the trades executed for Worldwide, which were funded entirely by Lynn. In addition to funding the trading, Lynn recruited the traders, hired and equipped the back office staff, and oversaw the trading and back office operations.

7. At all relevant times, Respondents' principal investment strategy was to obtain the maximum allocations possible for short-term trading in initial public offerings as well as follow-on and secondary offerings. Accordingly, the Worldwide traders purchased offering shares through numerous accounts at major broker-dealers. By contrast, most of their sales, including short sales, of equity securities, were executed through an account in Worldwide's name at one of several smaller broker-dealers that catered to small institutional customers and professional traders. All of

the Worldwide trades, regardless of the account in which the trade was executed, cleared and settled in a Worldwide master account at Worldwide's prime broker.

8. Lynn was in frequent contact with his traders, and was aware on at least a daily basis of the trades placed by his traders, and of Worldwide's securities positions. Lynn's awareness was based not only on his communications with individual traders and Worldwide's back office staff, but also his daily review of the individual traders' trading blotters, and Worldwide's trade management system.

Legal Framework

9. Rule 105 makes it unlawful for a person to purchase equity securities in a covered public offering 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 Exchange Act Form 1-A or Form 1-E and ending with pricing.

10. Rule 105 applies irrespective of the short seller's intent in effecting the short sale. "The prohibition on purchasing offered securities . . . provides a bright line demarcation of prohibited conduct consistent with the prophylactic nature of Regulation M." Short Selling in Connection with a Public Offering, 72 Fed. Reg. at 45096. The Commission adopted Rule 105 in an effort to prevent manipulative short selling prior to a public offering and, therefore, "to foster secondary and follow-on offering prices that are determined by independent market dynamics and not by potentially manipulative activity." Id. at 45094.

Respondents' Violations of Rule 105 of Regulation M

11. From October 31, 2007 to February 23, 2012, Lynn and his alter ego Worldwide violated Rule 105 in connection with 60 separate secondary and follow-on offerings, in each case by selling short shares of the issuers' stock during the restricted period, and then purchasing offering shares. As a result of these violations, Worldwide and Lynn received ill-gotten gains totaling approximately \$8,425,595. After they paid the individual traders who had effected the short sales and received the offering shares their share of the profits, in accordance with the standard compensation arrangements, Lynn and Worldwide retained ill-gotten gains in the amount of \$4,212,797.

12. The ill-gotten gains consisted of the following:

A. First, Worldwide and Lynn improperly profited from the difference between the proceeds from their improper restricted period short sales, and the amounts they paid on an equivalent number of shares received in the offerings of the same issuer's shares. These unlawful profits totaled approximately \$3,787,385. After paying the individual traders, Worldwide and Lynn retained ill-gotten gains in the amount of \$1,893,692.

B. Second, in those offerings where the number of shares they received in the offerings exceeded the number of shares they sold short during the restricted period (“overage”), Worldwide and Lynn and the individual traders improperly obtained an additional benefit in that they obtained the offering shares at a discount to the market price of the issuer’s shares. Worldwide and Lynn and the individual traders received benefits from their violative conduct in the form of market discounts totaling \$4,618,330, of which Lynn and Worldwide retained ill-gotten gains in the amount of \$2,309,165.

C. Third, Worldwide and Lynn and the individual traders improperly benefitted in certain offerings where the offering price exceeded the price at which they had sold the stock short during the restricted period. Because they purchased their offering shares at a discount to the market price, they avoided losses in connection with these offerings in an amount that totaled \$19,880, of which Worldwide’s and Lynn’s share totaled \$9,940.

13. For example, on December 15, 2009, Worldwide sold short 4,118,300 shares of Citigroup, Inc. common stock at an average price of \$3.6020. After the close of the market on December 16, 2009, a secondary offering of Citigroup common stock was priced at \$3.1500. Worldwide purchased 44,399,201 shares in the offering. The difference between Worldwide’s proceeds from the restricted period short sales of Citigroup shares and amount it paid for the equivalent number of shares purchased in the offering was \$1,861,472. Worldwide obtained an additional improper benefit of \$1,406,609 by purchasing the remaining 40,280,901 offering shares at a discount to the market price of \$3.1849.

14. As another example, on September 23, 2010, Worldwide sold short 1,373,400 shares of Petroleo Brasileiro common stock, at an average price of \$34.2057. Later that day, after the close of the market, a follow-on offering of Petroleo Brasilia common stock was priced at \$34.490. Worldwide purchased a total of 20,025 shares in the offering. Although the offering price exceeded the price at which it had sold short the stock during the restricted period, Worldwide received an improper benefit in the amount of \$18,041 by obtaining a number of shares equal to the number it had sold short at a discount from the market price, which was \$35.3909.

15. The 60 offerings in which Worldwide and Lynn violated Rule 105 are listed on Exhibit A to this Order.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents’ Offer.

Accordingly, it is hereby ORDERED that:

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

B. Worldwide and Lynn shall together, on a joint and several basis, pay disgorgement of \$4,212,797, prejudgment interest of \$526,358, and a civil monetary penalty in the amount of \$2,514,571 (for a total of \$7,253,726) to the Securities and Exchange Commission, for transmission to the United States Treasury. Payment shall be made in the following installments: (i) \$2,500,000 shall be paid within twenty-one (21) business days following the date on which this Order is entered; (ii) \$1,000,000 shall be paid within ninety (90) days following the date on which this Order is entered; (iii) \$1,000,000 shall be paid within one hundred and eighty (180) days following the date on which this Order is entered; and \$ 2,753,726 shall be paid within three hundred and sixty (360) days following the date on which this Order is entered. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of disgorgement, prejudgment interest, and civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 or pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. Payment must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;²
- (2) Respondents 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) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and 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 Worldwide and Lynn as Respondents in these proceedings, and the file number of these

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.

proceedings; a copy of the cover letter and check or money order must be sent to Andrew M. Calamari, Regional Director, Securities and Exchange Commission, 200 Vesey Street, Suite 400, New York, NY 10281.

By the Commission.

Elizabeth M. Murphy
Secretary

Exhibit A

	ISSUER	PRICING DATE & TIME
1	Melco PBL Entertainment (Macau) LTD (MPEL)	10/31/2007 After Close
2	Enernoc, Inc. (ENOC)	11/13/2007 After Close
3	Seattle Genetics, Inc. (SGEN)	1/18/2008 Before Open
4	Genoptix, Inc. (GXDX)	2/28/2008 After Close
5	BGC Partners, Inc. (BGCP)	6/4/2008 After Close
6	Health Care REIT Inc. (HCN)	9/4/2008 After Close
7	Mitsubishi UFJ Financial Group Inc. (MTU)	12/8/2008 Before Open
8	Medical Properties Trust, Inc. (MPW)	1/8/2009 After Close
9	Newmont Mining Corp (NEM)	1/28/2009 After Close
10	ProLogis Share of Beneficial (PLD)	4/8/2009 Before Open
11	Dow Chemical Company (DOW)	5/6/2009 After Close
12	U.S. Airways Group, Inc. (LCC)	5/7/2009 After Close
13	Wells Fargo & Co. (WFC)	5/8/2009 Before Open
14	Ford Motor Company (F)	5/12/2009 After Close
15	State Street Corp. (STT)	5/18/2009 After Close
16	Regions Financial Corporation (RF)	5/20/2009 After Close
17	Terex Corp. (TEX)	5/29/2009 Before Open
18	New M&I Corporation (MI)	6/11/2009 After Close
19	Duncan Energy Partners, LP (DEP)	6/15/2009 After Close
20	Hospitality Properties Trust (HPT)	6/18/2009 After Close
21	Prospect Capital Corporation (PSEC)	6/30/2009 After Close
22	VanceInfo Technologies Inc. (VIT)	7/9/2009 After Close
23	CapitalSource Inc. (CSE)	7/14/2009 After Close
24	Ocwen Financial Corporation (OCN)	8/12/2009 After Close
25	Penn Virginia GP Holdings, L.P. (PVG)	9/10/2009 After Close
26	New M&I Corporation (MI)	10/21/2009 After Close
27	Citigroup, Inc. (C)	12/16/2009 After Close
28	STR Holdings Inc. (STRI)	4/15/2010 After Close
29	Strategic Hotels & Resorts, Inc. (BEE)	5/13/2010 After Close
30	Resource Capital Corp. (RSO)	5/19/2010 After Close
31	Wabash National Corporation (WNC)	5/24/2010 After Close
32	Cypress Sharpridge Investments (CYS)	6/24/2010 After Close
33	Genco Shipping & Trading Ltd. (GNK)	7/21/2010 After Close

	ISSUER	PRICING DATE & TIME
34	Government Properties Income (GOV)	8/5/2010 After Close
35	Petroleo Brasileiro (PBR)	9/23/2010 After Close
36	Noranda Aluminum Holding Corp. (NOR)	12/6/2010 After Close
37	IntraLinks Holding, Inc. (IL)	12/6/2010 After Close
38	Stillwater Mining Company (SWC)	12/7/2010 After Close
39	Verint Systems Inc. (VRNT)	1/10/2011 After Close
40	MarkWest Energy Partners LP (MWE)	1/11/2011 Before Open
41	American Capital Agency Corp. (AGNC)	1/13/2011 After Close
42	LDK Solar Co., Ltd. (LDK)	1/27/2011 Before Open
43	StoneMor Parnters LP (STON)	2/3/2011 After Close
44	Quality Distribution Inc. (QLTY)	2/3/2011 After Close
45	Molycorp, Inc. (MCP)	2/11/2011 After Close
46	Gartner Inc. (IT)	2/17/2011 After Close
47	YPF Sociedad Anonima (YPF)	3/22/2011 After Close
48	Newcastle Investment Corporation (NCT)	3/23/2011 After Close
49	Energy Transfer Partners, L.P. (ETP)	3/29/2011 Before Open
50	Cobalt International Energy Inc. (CIE)	4/11/2011 After Close
51	American International Group, Inc. (AIG)	5/24/2011 After Close
52	Arch Coal, Inc. (ACI)	6/2/2011 After Close
53	Diana Containerships Inc. (DCIX)	6/9/2011 After Close
54	Five Star Quality Care, Inc. (FVE)	6/15/2011 After Close
55	Excel Trust, Inc. (EXL)	6/23/2011 After Close
56	Aegerion Pharmaceuticals, Inc. (AEGR)	6/23/2011 After Close
57	Calumet Specialty Products Partners, LP (CLMT)	9/8/2011 After Close
58	Newcastle Investment Corporation (NCT)	9/21/2011 After Close
59	Linn Energy, LLC (LINE)	1/12/2012 After Close
60	Cobalt International Energy Inc. (CIE)	2/23/2012 After Close