UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 54862 / December 1, 2006

INVESTMENT COMPANY ACT OF 1940
Release No. 27588 / December 1, 2006

ADMINISTRATIVE PROCEEDING
File No. 3-12496

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In the Matter of   ) ORDER INSTITUTING ADMINISTRATIVE
) AND CEASE-AND-DESIST PROCEEDINGS,
) MAKING FINDINGS, AND IMPOSING REMEDIAL
Kevin W. Quinn,   ) SANCTIONS AND A CEASE-AND-DESIST
) ORDER PURSUANT TO SECTIONS 15(b) AND
) 21C OF THE SECURITIES EXCHANGE ACT
) OF 1934 AND SECTIONS 9(b) AND 9(f) OF THE
) INVESTMENT COMPANY ACT OF 1940
Respondent.       )

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in
the public interest that public administrative and cease-and-desist proceedings be, and hereby
are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934
("Exchange Act") and Sections 9(b) and 9(f) of the Investment Company Act of 1940
("Investment Company Act") against Kevin W. Quinn ("Quinn" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer
of Settlement (the "Offer") that 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 him and the subject matter of these proceedings, which are
admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-
and-Desist Proceedings, Making Findings, and Imposing Remedial Sanctions and a Cease-and-
Desist Order Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and
Sections 9(b) and 9(f) of the Investment Company Act of 1940 ("Order"), as set forth below.
III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

A. RESPONDENT

1. Kevin W. Quinn, age 40, resides in Needham, Massachusetts. From May 2002 until his employment was terminated in October 2004, he was associated with Jefferies & Co., Inc. (“Jefferies” or the “firm”) as an account executive and held the position of senior vice president, equity and sales.

B. OTHER RELEVANT PARTIES

2. Jefferies & Co., Inc. is the principal operating subsidiary of Jefferies Group, Inc., a Delaware corporation with its principal place of business in Los Angeles, California. Jefferies is registered with the Commission as a broker-dealer (File No. 8-15074) pursuant to Section 15(b) of the Exchange Act and provides securities brokerage services primarily to institutional customers.

3. Scott Jones (“Jones”), age 50, resides in Chicago, Illinois. Since November 1980, he has been employed by Jefferies in various capacities. In 1998, he became director of equity trading. He was Quinn’s immediate supervisor for most of Quinn's employment at Jefferies.

C. FACTS

Summary

4. This proceeding concerns Kevin Quinn's provision of extensive travel, entertainment and gifts to certain employees of an investment adviser (the “Fund Adviser”) to a family of mutual funds (“the Funds”). The employees included several equities securities traders, whose job was to direct securities transactions for the Funds to securities brokerage firms for execution, and the head of the Fund Adviser's global equity trading desk (“Head of Equity Trading”), who supervised the securities traders and decided which securities brokerage firms would be approved to handle equity transactions for the Funds.²

5. Jefferies hired Quinn and his team of registered representatives in May 2002 to significantly increase the firm's brokerage business with the Funds. The firm anticipated that

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.

² Several of the traders are no longer employed by the Fund Adviser, and the Head of Equity Trading has been reassigned to another position with an entity related to the Fund Adviser.
Quinn's connections with the Fund Adviser would generate as much as $50 million in commission revenues per year for Jefferies. Quinn received $4 million per year in salary. Quinn’s team also received an annual travel and entertainment (“T&E”) budget of $1.5 million, including pre-paid use of private planes for business travel and entertainment.

6. From May 2002 until October 2004, Quinn sought to obtain brokerage business from the Funds. In connection with this effort, Quinn provided travel, entertainment and gifts to a small group of the Fund Adviser's most successful traders. A skilled amateur golfer with connections at many exclusive golf courses, Quinn took the traders on expensive golf trips, flew them on private planes, lodged them at fancy hotels, and gave them golf merchandise and other presents. He also made private planes available for the traders to take on personal trips without his attendance. He gave tickets to the Fund Adviser's traders for major sporting events (such as Wimbledon and the U.S. Open), Broadway shows, and concerts, again without his attendance. He even helped pay for one trader's elaborate bachelor party in Miami. Quinn also included the Head of Equity Trading on some of the golf excursions and made a private plane available for his personal use. He also used his T&E budget for personal use of private plane travel, hotels, meals, car service, and tickets to major sporting events. Although this latter category of expenditures was unrelated to entertainment of the Fund Adviser's traders, Quinn improperly sought and obtained reimbursement from Jefferies for these expenses.

7. Section 17(e)(1) of the Investment Company Act makes it unlawful for an affiliated person of a registered investment company, or an affiliate of an affiliate, when acting as an agent, to accept compensation from any source (other than a salary or wages from the registered investment company) for the purchase or sale of any property to or for the registered investment company. The traders were affiliated persons of the Fund Adviser, which is an affiliated person of registered investment companies (the Funds), because the Fund Adviser advises those Funds. The Fund Adviser’s employees’ receipt of travel, entertainment and gifts from Quinn constituted compensation within the prohibition of Section 17(e)(1) of the Investment Company Act.

8. Sections 17(a)(1) of the Exchange Act and Rule 17a-3 thereunder require every registered broker-dealer to make and keep accurate books and records including ledgers reflecting, among other things, all expenses.

9. As a result of his conduct, Quinn aided and abetted and caused the Fund Adviser employees' violations of Section 17(e)(1) of the Investment Company Act. Quinn also aided and abetted and caused Jefferies’ violations of 17(a)(1) of the Exchange Act and Rule 17a-3 thereunder by seeking and obtaining reimbursement for improper expenses.

**Quinn's Employment Agreement with Jefferies**

10. Prior to 2002, while he was employed at another registered broker-dealer, Quinn developed his business relationship with several of the Fund Adviser securities traders and
assembled a team of registered representatives to handle securities transactions for the Funds. Quinn left that firm in March 2002 when it closed its domestic equity division.

11. In May 2002, Jefferies hired Quinn and his team in order to increase its brokerage business with the Fund Adviser. The firm's president and chief operating officer (and also a member of its board of directors), conducted the initial interview with Quinn. Jefferies had received $4.3 million in equity commissions from the Fund Adviser in 2001, and the firm's president concluded that Quinn's relationship with the Fund Adviser could generate as much as $50 million in additional commission revenues per year for Jefferies.

12. On May 8, 2002, Jefferies and Quinn entered into an employment contract whereby Quinn would start working at the firm's Boston, Massachusetts office on September 3, 2002. The employment contract – which the firm's then-president approved – provided that Quinn would receive a guaranteed salary of $1.3 million for the remainder of 2002 and a guaranteed salary of $4 million per year in 2003 and 2004. The contract also provided that Quinn and his team would receive a bonus if the adjusted gross commissions from the Fund Adviser exceeded certain target levels. In addition, the contract provided Quinn and his team with a $500,000 T&E expense account for the remainder of 2002 and with a $1.5 million annual T&E expense account in 2003 and 2004. Quinn was allowed to start using the T&E expense account during the summer of 2002, even though he did not become a registered representative in Jefferies' Boston office until after September 3, 2002.

**Jefferies' Written Policy Concerning Gifts**

13. Jefferies maintained a *Statement of Policy on Standards of Employee Conduct* ("Statement of Policy") which prohibited the giving of gifts of substantial value to, or inappropriate entertainment of, persons doing business with the firm. All employees were required to sign the *Statement of Policy* as an acknowledgment of its receipt. The *Statement of Policy* prohibited any Jefferies employee from giving goods or services to a customer worth more than $100 per year without prior approval from the employee's manager. NASD Rule 3060 prohibits a broker from providing a customer with gifts and gratuities worth more than $100 per year.  

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3 On April 21, 2003, the employment contract was amended to provide Quinn with a guaranteed salary of $4.75 million in 2004.

4 While Quinn and his team were employed at Jefferies, their adjusted gross commissions from the Fund Adviser were too low to trigger their entitlement to any bonus.

5 Although Jones, Quinn's immediate supervisor reviewed nearly all of Quinn's requests for reimbursement of T&E expenses, he routinely approved vouchers that indicated, on their face, that Quinn had given some of the Fund Adviser's employees items worth more than $100, in violation of the firm's policy, or that Quinn had not accompanied the Fund Adviser's employees on a private plane flight or to a particular event, in which case the expenses were gifts and could not properly be reimbursed under the firm's *Statement of Policy*. 

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Quinn's Lavish Entertainment of Some of the Fund Adviser's Employees

14. Quinn used his $1.5 million annual T&E budget to entertain a small group of the Fund Adviser's traders from whom he received substantial brokerage business, as well as the Head of Equity Trading.  

15. Quinn's most extravagant entertainment of Fund Adviser employees involved taking them on golf excursions and other vacations. Examples include:

   a. In November 2002, Quinn took the Head of Equity Trading and Traders A and B on a so-called "Fall Classic" golf excursion to Las Vegas, Nevada, and Cabo San Lucas, Mexico. The trip lasted four days. Quinn provided private plane flights and lodging in villas at expensive hotels (including the Bellagio in Las Vegas) and arranged for a band to play. He also gave each Fund Adviser employee golf merchandise and DVD players as golf prizes. The total cost for Jefferies was more than $215,000.

   b. In December 2002, Quinn took Trader B for a golf weekend in South Carolina and Florida. Quinn provided private plane flights, lodging, limousine service, and golf prizes. The total cost for Jefferies was more than $35,000.

   c. In January 2003, Quinn took the Head of Equity Trading and Trader A for a golf weekend in Georgia. Quinn provided private plane flights and lodging. The total cost for Jefferies was nearly $45,000.

   d. In February 2003, Quinn took Trader C and his family on a vacation in Palm Beach, Florida. Quinn provided private plane flights, use of the facilities at the Breakers Hotel, limousine service, and a rental car. The total cost for Jefferies was more than $80,000.

   e. In March 2003, Quinn joined with representatives of other brokerage firms to pay for Trader A's bachelor party in Miami. Quinn provided private plane flights and limousine service for the Head of Equity Trading, Trader A, several employees of other securities brokerage firms, and assorted guests to attend the party. The total cost for Jefferies was more than $75,000.

   f. In December 2003, Quinn took Traders A and B on another "Fall Classic" golf excursion, this time to Las Vegas, Nevada, and Scottsdale, Arizona. The trip lasted four days. Quinn provided private plane flights, lodging at expensive hotels (including the MGM

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6 The five traders who received the bulk of Quinn's travel, gifts, and entertainment are referred to as Traders A, B, C, D and E. Two other traders who took trips on private planes provided by Quinn are referred to as Traders F and G.

7 On some occasions, some of the Fund Adviser’s employees attempted to pay Quinn sums for the travel, lodging and other expenses involved in these excursions, but the amount of their payments almost never equaled the actual cost of the expenses.
Grand in Las Vegas), and limousine service. He also gave each Fund Adviser employee golf merchandise and other items as golf prizes. The total cost for Jefferies was nearly $160,000.

g. In January 2004, Quinn took Trader A to the Super Bowl in Houston and while there, entertained Trader B. Quinn provided private plane flights, lodging at the Lancaster-King Hotel, tickets to the Playboy pre-game party, and a rental car. The total cost for Jefferies was over $150,000.

h. In February 2004, Quinn took Trader C and his family on a vacation in Palm Beach, Florida. Quinn provided private plane flights, lodging at the Breakers Hotel, and a rental car. The total cost for Jefferies was more than $62,500.

16. The private plane flights, fancy hotels, limousines and rental cars, and golf equipment, DVD players and other "prizes" provided by Quinn constituted compensation to the Fund Adviser’s employees within the scope of the prohibition in Section 17(e)(1) of the Investment Company Act.

17. On many occasions, Quinn simply paid for some of the Fund Adviser’s employees to take a private plane for their personal use without his attendance. Examples include:

a. In November 2002, Trader F and his family took a vacation in Orlando, Florida. The cost for Jefferies was nearly $25,000.

b. In January 2003, Trader C and his wife flew from Naples, Florida to Boston. The cost for Jefferies was more than $20,000.

c. In February 2003, the Head of Equity Trading flew from Monterey, California, to Boston. The cost for Jefferies was nearly $45,000.

d. In September 2003, Trader A and his wife flew from Boston to Nantucket. A few days later, they flew from Nantucket to Los Angeles and then returned from Los Angeles. The total cost for Jefferies was nearly $75,000.

e. In November 2003, Trader G and his wife flew to and from St. Thomas, U.S.V.I. The cost for Jefferies was more than $46,000.

f. In December 2003, the Head of Equity Trading flew to Florida for the weekend. The cost for Jefferies was more than $45,000.

8 Quinn remarked in an email to one of the Fund Adviser’s traders in November 2002, “I view private plane travel as one of the great perks of this biz and am more than willing to do it for a few guys when I can ... just as long as they keep it low.”
g. In late December 2003, Trader A and his wife flew to Florida for the weekend. The cost for Jefferies was more than $31,000.

h. In March 2004, Trader B and his wife and Trader D and his girlfriend flew to the Bahamas and Turks & Caicos for vacation. The cost for Jefferies was more than $47,000.

18. The use of a private plane at Jefferies’ expense constituted compensation to the Fund Adviser’s employees within the scope of the prohibition in Section 17(e)(1) of the Investment Company Act.

19. Quinn also provided Fund Adviser employees with tickets to sporting events and concerts along with expensive wine.

a. Some of these events were extremely expensive. For example, Quinn gave Trader E tickets to attend the Wimbledon and U.S. Open tennis tournaments. The total cost to Jefferies of the Wimbledon tickets in 2002, 2003 and 2004 was nearly $90,000, the total cost of U.S. Open tickets in 2002 and 2003 was more than $17,000, and when Trader E attended Wimbledon in 2004, Jefferies also paid $12,000 for his hotel in London. Quinn did not attend any of these events.

b. Quinn provided Fund Adviser employees, including traders and a senior Fund Adviser officer, with numerous tickets to the theater (such as “The Lion King,” “Hairspray,” “Beauty and the Beast,” “The Producers,” and “Moving Out”), concerts (such as Bruce Springsteen, Justin Timberlake, Prince and Santana), the circus, and professional baseball, basketball, football and hockey games. Quinn rarely attended these events with the Fund Adviser’s employees.

c. Quinn provided the Fund Adviser’s traders with extremely expensive bottles of wine as Christmas gifts. For example, Quinn gave Trader E over $13,000 worth of wine over two Christmases, and he provided over $4,000 worth of wine as a Christmas gift to Trader B.

20. The receipt of tickets and wine at Jefferies’ expense constituted compensation to the Fund Adviser’s employees within the scope of the prohibition in Section 17(e)(1) of the Investment Company Act.

Jefferies Increased Its Business with the Fund Adviser After Quinn’s Arrival

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9 In December 2002, Quinn told Trader E that certain tickets were “not easy by the way.” Trader E responded, “I know. That’s why I asked Kevin ‘the Man’ Quinn for a big favor.”
21. Jefferies' status among the securities brokerage firms used by the Funds improved substantially after Quinn joined the firm. Jefferies for the first time began to commit capital in certain of its trades for the Fund Adviser. In addition, on a regular basis, Quinn provided the Fund Adviser’s employees with the travel, entertainment and gifts described above.¹⁰

22. The Fund Adviser’s traders were only permitted to send securities transactions to broker-dealers that had been approved by the Head of Equity Trading. The Fund Adviser grouped the approved firms into three categories: (1) “core brokers” handling the large majority of transactions; (2) “watch list brokers” handling a smaller, but still significant, amount of transactions; and (3) other “specialized brokers.” Before Quinn began working there in September 2002, Jefferies was in the third category as a “specialized third-market” firm. As of January 2003 – after Quinn’s first four months of the firm – the Fund Adviser had moved Jefferies to the second category as a “watch list” firm. As of April 2003 – after another three months of Quinn’s efforts – the Fund Adviser had re-classified Jefferies once again, placing the firm in the first category of “core brokers.”

23. Consistent with its change of status to a “core broker,” the brokerage business that Jefferies received from the Fund Adviser increased substantially after Quinn began working there in September 2002. Before Quinn’s arrival, in the second quarter of 2002, Jefferies handled 25.1 million shares of listed securities and 14 million shares of “over-the-counter” (“OTC”) securities for the Fund Adviser. With this volume, Jefferies ranked 34th for listed securities and 25th for OTC securities among the brokerage firms used by the Fund Adviser. Jefferies’ volume rose quickly after Quinn’s arrival. In the fourth quarter of 2002, Quinn’s first full quarter of employment, Jefferies’ ranking had risen to 17th for listed securities and 18th for OTC securities. By the third quarter of 2004, Quinn’s final full quarter of employment, Jefferies handled 277.7 million shares of listed securities and 193.6 million shares of OTC securities. Its volume ranking with the Fund Adviser was 13th in listed securities and 12th in OTC securities.

24. Just as the volume of Jefferies' brokerage business from the Funds increased, so did the brokerage commissions that the Funds paid to Jefferies. In the first six months of 2002, just prior to Quinn’s arrival, Jefferies received $1.7 million in brokerage commissions, ranking it 43rd among the firms used by the Fund Adviser. By contrast, in the first nine months of 2004, Jefferies received $24.5 million in brokerage commissions from Funds, improving its ranking to 13th among the firms used by the Fund Adviser.

25. Most of the brokerage business that Jefferies received from the Fund Adviser came from four traders (Traders A, B, C and D) who went on most of Quinn's golf and other excursions and from a fifth trader (Trader E), who received expensive wine and the most expensive tickets to sporting events (such as Wimbledon and the U.S. Open). During the period of Quinn's employment at Jefferies (September 2002 to October 2004), these five traders sent trades generating approximately $39.4 million in commissions for Jefferies:

¹⁰ Quinn once described himself to one of the Fund Adviser’s traders as “a whore for biz.” He told another trader, “I will do anything for an order (w/ my clothes on).”
Trader A $18.4 million  
Trader B    6.5 million  
Trader C    2.6 million  
Trader D    3.2 million  
Trader E    8.7 million  

In addition, Traders F and G, both of whom took vacations on private planes supplied by Quinn, sent trades generating an additional $2.9 million.

26. Although these traders routinely directed brokerage business to Jefferies, they sometimes sent a higher than average volume of business to Jefferies just before or just after Quinn provided them with travel and entertainment.

Quinn Sought and Obtained Reimbursement for Improper Expenses

27. Quinn submitted T&E vouchers to Jefferies reflecting hundreds of thousands of dollars of expenses that were for his own personal benefit by improperly characterizing them as business expenses. This included private jet travel, along with personal trips with friends and family to such places as Aspen, Colorado; Sea Island, Georgia; and the Masters golf tournament in Augusta, Georgia. Quinn also sought and obtained reimbursement for a private jet flight taken by his supervisor Jones to Florida by improperly submitting a voucher that indicated that the Fund Adviser’s Head of Equity Trading was the passenger on the flight.

28. Quinn’s submission of improper T&E vouchers and the resulting reimbursement rendered Jefferies’ ledgers of its expense accounts and compensation records related to its associated persons inaccurate in violation of Section 17(a)(1) of the Exchange Act and Rule 17a-3 thereunder.

D. VIOLATIONS

1. As a result of the conduct described above, Quinn willfully aided and abetted and caused violations of Section 17(e)(1) of the Investment Company Act by providing “compensation,” namely extensive travel, entertainment, and gifts, to the Fund Adviser’s Head of Equity Trading and certain of the Fund Adviser’s traders, who willfully violated Section 17(e)(1) by accepting such compensation “for the purchase or sale of any property to or for such registered company,” namely the direction of the Fund’s brokerage business to Jefferies.

2. As a result of the conduct described above, Quinn willfully aided and abetted and caused Jefferies’ violations of Section 17(a)(1) of the Exchange Act and Rule 17a-3 thereunder by submitting and receiving reimbursement for improper T&E vouchers from Jefferies, which failed to make and keep accurate books and records.

11 After his termination, Quinn reimbursed Jefferies for an agreed-upon amount.
IV.

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

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Sections 9(b) and 9(f) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Quinn cease and desist from committing or causing any violations and any future violations of Section 17(e)(1) of the Investment Company Act and Section 17(a)(1) of the Exchange Act and Rule 17a-3 thereunder.

B. Respondent Quinn be, and hereby is barred from association with any broker or dealer, and is prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter.

C. Any reapplication for association by the Respondent will be subject to the applicable laws and regulations governing the reentry process, and reentry may be conditioned upon a number of factors, including, but not limited to, the satisfaction of any or all of the following: (a) any disgorgement ordered against the Respondent, whether or not the Commission has fully or partially waived payment of such disgorgement; (b) any arbitration award related to the conduct that served as the basis for the Commission order; (c) any self-regulatory organization arbitration award to a customer, whether or not related to the conduct that served as the basis for the Commission order; and (d) any restitution order by a self-regulatory organization, whether or not related to the conduct that served as the basis for the Commission order.

D. Respondent Quinn shall, within 10 days of the entry of this Order, pay disgorgement of $1 and a civil money penalty of $468,000 to the Securities and Exchange Commission. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered or mailed to the Office of Financial Management, Securities and Exchange Commission, Operations Center, 6432 General Green Way, Stop 0-3, Alexandria, VA 22312; and (D) submitted under cover letter that identifies as a Respondent in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to David P. Bergers, District Administrator, Division of Enforcement, Securities and Exchange Commission, 33 Arch Street, 23rd Floor, Boston, MA 02110-1410.

E. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the disgorgement and penalties referenced in paragraph IV(D) above. Regardless of whether any such Fair Fund distribution is made, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent
agrees that he shall not, after offset or reduction in any Related Investor Action based on Respondent’s payment of disgorgement in this action, argue that he is entitled to, nor shall he further benefit by offset or reduction of any part of Respondent’s payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the United States Treasury or to a Fair Fund, as the Commission directs. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

V.

Upon further order by the Commission, the Division of Enforcement shall submit a proposed plan for the administration and distribution of the Fair Fund in this matter.

By the Commission.

Nancy M. Morris
Secretary