I.

On March 5, 2008, the Securities and Exchange Commission ("Commission") instituted public administrative and cease-and-desist proceedings pursuant to Sections 203(f) and 203(k) of the Investment Advisers Act of 1940 ("Advisers Act") and Sections 9(b) and 9(f) of the Investment Company Act of 1940 ("Investment Company Act") against Scott E. DeSano, Thomas H. Bruderman, Timothy J. Burnieika, Robert L. Burns, David K. Donovan ("Donovan" or "Respondent"), Edward S. Driscoll, Jeffrey D. Harris, Christopher J. Horan, Steven P. Pascucci, and Kirk C. Smith.

II.

In response to these proceedings, Respondent Donovan has submitted an Offer of Settlement ("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 him and the subject matter of these proceedings, which are admitted, Respondent Donovan consents to the entry of this Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 203(f) of the Investment Advisers Act of 1940 and Sections 9(b) and 9(f) of the Investment Company Act of 1940 as to David K. Donovan (“Order”), as set forth below.

III.

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

Settling Respondent

1. Donovan, age 45, lives in Marblehead, Massachusetts. He was an equity trader at FMR Co., Inc. from 1992 until his resignation in March 2005. During the Relevant Period, he was a sector trader specializing in technology stocks, and he was also a team leader of several sector traders.

Other Relevant Parties

2. Fidelity Management & Research Company (“FMR”) is a privately held Massachusetts corporation registered with the Commission as an investment adviser pursuant to Section 203(c) of the Advisers Act, with its principal place of business in Boston, Massachusetts. FMR is a wholly owned subsidiary of FMR LLC, a privately held Delaware corporation. FMR is an adviser to various institutional clients and has approximately $1.25 trillion in assets under management. FMR’s institutional clients include a group of approximately 350 registered investment companies marketed under the “Fidelity Investments” trade name and managed by FMR and its affiliates (hereafter “the Fidelity Funds”).

3. FMR Co., Inc. is a privately held Massachusetts corporation registered with the Commission as an investment adviser pursuant to Section 203(c) of the Advisers Act, with its principal place of business in Boston, Massachusetts. FMR Co., Inc. is a wholly owned subsidiary of FMR (collectively “Fidelity”) and provides portfolio management services as a sub-adviser to certain clients of FMR, including the Fidelity Funds.²

¹ The findings herein are made pursuant to Respondent Donovan’s Offer and are not binding on any other person or entity in this or any other proceeding.

Summary

4. These proceedings concern Donovan’s acceptance of travel and gifts from securities brokerage firms (“brokerage firms”) with which he, through Fidelity, conducted business on behalf of the Fidelity Funds. During the period from January 1, 2002 to October 2004 (the "Relevant Period"), Donovan accepted a significant amount of travel and gifts, including many trips by private jet, as well as a case of expensive wine and tickets to several events that the broker did not attend. By accepting that travel and those gifts, Donovan willfully\(^3\) violated Section 17(e)(1) of the Investment Company Act.

Background

5. During the Relevant Period, Donovan worked as a sector trader on Fidelity’s equity trading desk and was an affiliated person of FMR Co., Inc., which is an affiliated person of registered investment companies (the Fidelity Funds). Fidelity’s advisory clients (including the Fidelity Funds) gave Fidelity authority to select brokerage firms to execute securities transactions in their managed accounts. Portfolio managers initiated securities trades by contacting Fidelity’s equity trading desk with orders to purchase or sell securities for client accounts under their management. As a Fidelity trader, Donovan was responsible for, among other things, selecting brokerage firm(s) from a list of brokerage firms approved by Fidelity to execute securities transactions to fulfill the portfolio managers’ orders.

Donovan Accepted Travel and Gifts from Brokerage Firms

6. Donovan received a significant amount of travel and gifts from representatives of brokerage firms during the Relevant Period, primarily consisting of some or all of his lodging and other travel expenses on many trips with brokers, most of which were by private jet, to destinations such as the Super Bowl, Las Vegas and the Bahamas. On a few occasions, brokers provided Donovan with the personal use of a private jet as part of the trip. In addition, brokerage firms provided Donovan with a case of expensive wine, as well as tickets to several sporting events that Donovan did not attend with the representatives of brokerage firms.

Donovan Violated Section 17(e)(1) of the Investment Company Act

7. As a result of the conduct described above, Donovan willfully violated Section 17(e)(1) of the Investment Company Act, which 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. A violation of Section 17(e)(1) is complete upon receipt of the compensation. Donovan was an

\(^3\) A willful violation of the securities laws means merely “‘that the person charged with the duty knows what he is doing.’” Wonsover v. SEC, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting Hughes v. SEC, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor “‘also be aware that he is violating one of the Rules or Acts.’” Id. (quoting Gearhart & Otis, Inc. v. SEC, 348 F.2d 798, 803 (D.C. Cir. 1965)).
affiliated person of Fidelity, which is an affiliated person of investment companies (the Fidelity Funds), because Fidelity advises those funds. Donovan’s receipt of travel and gifts from representatives of brokerage firms constituted compensation in violation of Section 17(e)(1) of the Investment Company Act.

IV.

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

Accordingly, pursuant to Section 203(f) of the Advisers Act and Sections 9(b) and 9(f) of the Investment Company Act, it is hereby ORDERED that:

A. Respondent Donovan cease and desist from committing or causing any violations and any future violations of Section 17(e)(1) of the Investment Company Act;

B. Respondent Donovan is censured; and

C. Respondent Donovan shall, within ten days of the entry of this Order, pay disgorgement of $120,816, prejudgment interest of $42,921.51 and a civil money penalty in the amount of $45,000 to the United States Treasury. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. 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 Donovan as a Respondent in these proceedings, a copy of which cover letter and money order or check shall be sent to David P. Bergers, Regional Director, Securities and Exchange Commission, 33 Arch St., 23rd Floor, Boston, MA 02110.

By the Commission.

Florence E. Harmon
Acting Secretary