

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 70329 / September 5, 2013

INVESTMENT ADVISERS ACT OF 1940
Release No. 3662 / September 5, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-14906

In the Matter of

CRAIG KUGEL,

Respondent.

**CORRECTED ORDER MAKING FINDINGS
AND IMPOSING REMEDIAL SANCTIONS
PURSUANT TO SECTION 15(b) OF THE
SECURITIES EXCHANGE ACT OF 1934
AND SECTION 203(f) OF THE
INVESTMENT ADVISERS ACT OF 1940**

I.

On June 5, 2012, the Securities and Exchange Commission (“Commission”) instituted public administrative proceedings pursuant to Section 15(b) of the Securities Exchange Act of 1934 (“Exchange Act”), and Section 203(f) of the Investment Advisers Act of 1940 (“Advisers Act”) against Craig Kugel (“Kugel,” or “Respondent”).

II.

In response to 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, Respondent consents to the Commission’s jurisdiction over him and the subject matter of these proceedings and to the entry of this Order Making Findings and Imposing Remedial Sanctions Pursuant to Section 15(b) of the Securities Exchange Act of 1934 and Section 203(f) of the Investment Advisers Act of 1940 (“Order”) as set forth below.

III.

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

1. Kugel, age 37, was employed by Bernard L. Madoff Investment Securities LLC ("BMIS") or its affiliated entity known as Primex Trading N.A., LLC ("Primex") from approximately 2001 until December 2008. For at least a portion of the time in which he engaged in the conduct underlying the criminal information described below, Kugel was associated with BMIS, and was responsible for or assisted in, among other things, budget forecasting for BMIS's proprietary trading and market-making operations, the administration of BMIS's health plan, and tasks associated with BMIS's retirement plan.

2. BMIS registered with the Commission as a broker-dealer in 1960 and as an investment adviser in August 2006, and had its principal place of business in New York, New York. BMIS purportedly engaged in three different operations – investment advisory operations ("IA Operations"), market-making, and proprietary trading. BMIS is currently under the control of a trustee appointed pursuant to the Securities Investor Protection Act of 1970 (15 U.S.C. § 78aaa et seq.).

3. On June 5, 2012, Respondent pleaded guilty to (1) conspiracy to (a) obstruct or impede the lawful government functions of the Internal Revenue Service; and to (b) falsify statements in relation to documents required by ERISA; (2) making false statements in relation to documents required by ERISA; (3) and subscribing to false U.S. Individual Tax Returns, in United States v. Craig Kugel, Crim. Information No. 10 Cr. 228 (LTS).

4. The information to which Respondent pleaded guilty alleged, *inter alia*, that:

(a) Bernard L. Madoff engaged in a long-standing Ponzi scheme through BMIS. While Bernard L. Madoff promised to clients and prospective clients that he would invest their money in shares of common stock, options, and other securities of well-known corporations, he never invested the client funds in the securities as he promised.

(b) Respondent was an employee of BMIS or its affiliated entity, Primex, from in or about 2001, through on or about December 11, 2008. Respondent's responsibilities included, among other things, budget forecasting for BMIS's market making and proprietary trading operations and overseeing BMIS's health care plan.

(c) From at least in or about 2003 through 2008, Kugel was aware that there were individuals on BMIS's payroll who did not work for the firm but who nevertheless received salaries and benefits. Despite this knowledge, Kugel submitted to the United States Department of Labor fraudulent forms that included a number of fake employees who in fact did not work at BMIS; and

(d) Respondent subscribed to several U.S. Individual Income Tax Returns that falsely omitted income that Respondent was not entitled to omit.

IV.

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

Accordingly, it is hereby ORDERED pursuant to Section 15(b)(6) of the Exchange Act and Section 203(f) of the Advisers Act that Respondent Craig Kugel be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, or transfer agent; and

barred from participating in any offering of a penny stock, including: acting as a promoter, finder, consultant, agent or other person who engages in activities with a broker, dealer or issuer for purposes of the issuance or trading in any penny stock, or inducing or attempting to induce the purchase or sale of any penny stock.

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.

By the Commission.

Elizabeth M. Murphy
Secretary