

**STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT**

IN THE MATTER OF:)

Paul R. Quinn (CRD# 2909821),)

Paul R. Quinn and Associates, and its)
partners, members, officers, directors,)
agents, employees, affiliates, successors)
and assigns.)

File Number: 0900220

TEMPORARY ORDER OF PROHIBITION & SUSPENSION

TO RESPONDENT:

Shelley Davenport
Chief Compliance Officer
Berthel Fisher & Company Financial Services, Inc.
701 Tama Street, Building B
Marion, IA 52302

Paul R. Quinn
(CRD #2909821)
216 East Sangamon Avenue, Suite B
Rantoul, Illinois 61866

Paul R. Quinn
(CRD #2909821)
352 Highland Drive
Rantoul, IL 61866

Paul R. Quinn and Associates
216 East Sangamon Avenue, Suite B
Rantoul, Illinois 61866

On information and belief, I, Jesse White, Secretary of State for the State of Illinois, through my designated representative, who has been fully advised in the premises by the staff of the Securities Department, Office of the Secretary of State, herein find:

1. Respondent **Paul R. Quinn** ("Respondent Quinn") is the Principal of Paul R. Quinn and Associates and has last known addresses of 216 East Sangamon Avenue, Suite B, Rantoul, IL 61866 and 352 Highland Drive, Rantoul, IL 61866.
2. Respondent **Paul R Quinn and Associates** is an entity with a last known address of 216 East Sangamon Avenue, Suite B, Rantoul, IL 61866.

COUNT 1

FRAUD IN THE OFFER AND SALE OF SECURITIES

Recommending and Purchasing Unsuitable Securities

3. Investor A is a 22-year-old college student at the University of Illinois at Urbana-Champaign. At age 12, Investor A was involved in a car accident that left her paralyzed from the waist down.
4. As a result of the litigation relating to the car accident, Investor A received a significant settlement from parties involved in the litigation. The settlement was structured part of the money was into a trust, and maintained on her behalf until she reached 18 years of age.
5. In January 2009, shortly after Investor A took over the administration settlement proceeds, Investor A decided that she needed the assistance of an investment advisor to assist her in the management of her settlement proceeds
6. One of Investor A's family members recommended that she talk with Respondent Paul R. Quinn, ("Respondent Quinn"). Respondent Quinn is registered with the Secretary of State of the State of Illinois as an Investment Adviser Representative and securities salesperson with Berthel Fisher and Company Inc.
7. Berthel Fisher and Company ("Berthel Fisher") is a broker-dealer located at 701 Tama Street, Building B, Marion, IA 52302-0609.
8. On or about January 29, 2009, Respondent came to Investor A's residence to discuss different investment options with her. Investor A's father and brother were also present for this meeting.
9. During the course of this meeting, Investor A told Respondent that that she was a senior at the University of Illinois and was planning to attend medical school. She further explained that she wanted to protect the principal amount of her investments because she would need these funds to finance her education. Investor A stated she did not want to take any large risks.

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10. During the January 29, 2009 meeting with Respondent Quinn, Investor A explained that she would need \$7,100.00 a month for the next thirty (30) months in order to cover educational expenses and other her living expenses.
11. During the January 29, 2009 meeting, Respondent made a number of investment recommendations to Investor A. Specifically, Respondent recommended that Investor A place
 - a. \$130,000 into an options trading account,
 - b. \$300,000 in three private placements real estate ventures sponsored by Walton International,
 - c. \$100,000 in Real Estate Investment Trusts (REITS),
 - d. \$200,000 in Certificates of Deposit.
12. Despite Investor A's representations that she wanted to protect her principal and did not want to be involved in risky investments, Respondent Quinn recommended that Investor A invest approximately \$530,000 of her funds into investments with a high risk of principal loss, such as stock options, REITs and private placements.
13. Respondent provided Investor A with printed materials discussing the private placements and the REIT investments. These materials stated the private placements and REIT investments were risky, and that investors could lose their principal. Investor A, reiterated that she did not want to make these investments because of the risk involved.
14. During the January 29th meeting, Investor A signed a Trading Authorization form that gave Respondent Quinn discretionary control over her account.
15. On or about February 2, 2009, Respondent Quinn had Investor A sign a blank "Client Account Form". Respondent Quinn told Investor A that he would complete the rest of the form for her as he only needed to enter her personal information such as her name and address.
16. On or about February 3, 2009, Respondent Quinn had Investor A sign an options account request form.
17. Investor A never had any experience investing in stock options. The only information Investor A had regarding stock options was the information Respondent Quinn provided to her orally.
18. Investor A was the only options client that Respondent Quinn had during the time he was employed with Berthel Fisher, and was Respondent Quinn's only managed account client.

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19. The only experience that Respondent Quinn had trading stock options while employed at Berthel Fisher was the management of his own personal options account. Respondent Quinn indicated that while managing his personal options account, he lost money.
20. Between February 5, 2009 and February 18, 2009, Investor A issued three checks totaling \$670,000. Respondent Quinn deposited these funds into Investor A's account with Berthel Fisher. Investor A issued the checks with the expectation that Respondent Quinn invest these funds in safe, low risk investments.
21. Respondent Quinn invested over \$600,000 entrusted to him by Investor A in extremely risky stock options. For example Respondent Quinn purchased
 - a. 800 calls (representing the right to purchase 80,000 shares) of Ishares Silver Trust.
 - b. 800 calls (representing the right to purchase 80,000 shares) of Qualcomm.
 - c. 300 calls (representing the right to purchase 30,000 shares) of Financial- Select Sector SPDR Trust.
 - d. 200 calls (representing the right to purchase 20,000 shares) of Cisco Systems.
 - e. 200 calls (representing the right to purchase 20,000 shares) of -Energy Select Sector SPDR trust.
22. In just 35 days, Respondent Quinn traded over \$1,120,000.00 of securities and had losses of approximately \$369,000 or roughly 55% of the account's value.
23. Section 12.J(3) of the Act provides, *inter alia*, that it shall be a violation of the provisions of this Act for any investment adviser representative, by any means or instrumentality, directly or indirectly, to engage in any act, practice, or course of business which is fraudulent, deceptive or manipulative.
24. Section 130.853 of the Rules and Regulations under the Illinois Securities Law of 1953 provides, *inter alia*, that any transactions of purchase or sale which are unsuitable in view of the financial resources and character of the account, shall constitute an act, practice, or course of business on the part of the registered investment adviser or its representative effecting such transactions or causing the transactions to be effected that is fraudulent, deceptive or manipulative.
25. Respondent Quinn's purchase of \$670,000 worth of options contracts for Investor A's managed account constituted an unsuitable purchase or sale of securities in view of the financial resources and character of Investor A's account.

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26. By virtue of the foregoing, Respondent Quinn violated Section 12.J(3) of the Act.
27. Section 8.E(1)(g) of the Act provides, *inter alia*, that the registration of a salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the salesperson or investment adviser representative has violated any of the provisions of this Act.
28. Accordingly, Respondent Quinn's registration as a securities salesperson and investment adviser representative in the State of Illinois is subject to suspension and revocation pursuant to Section 8.E(1)(g) of the Act.

COUNT 2

FRAUD IN THE OFFER AND SALE OF SECURITIES
Making False Statements on Client's New Account Form

29. Paragraphs 1-22 are re-alleged as if fully set forth herein.
30. As stated in Paragraph 13, on or about February 2, 2009, Respondent Quinn had Investor A sign a blank "Client Account Form". Respondent Quinn completed the Client Account Form on behalf of Investor A.
31. The Client Account Form, as completed by Respondent Quinn, contained many blatantly untrue statements of fact that Respondent Quinn had no reasonable basis for making.
32. For example, Respondent Quinn misrepresented that Investor A had an annual income of \$120,000 a year. In fact, Investor A is a student and has no regular income. For the last several years, Investor A's only income was the interest earned on the settlement proceeds from her accident. As a result Investor A's annual income is between \$25,000 and \$50,000 per year.
33. Respondent Quinn also misrepresented that Investor A's investment objective was "trading and speculation" and that Investor A's risk tolerance was "aggressive". In fact, Investor A specifically told Respondent Quinn that she wanted only conservative investments and that the preservation of capital was important because she needed the money to pay for her undergraduate and medical school education.
34. Additionally, Respondent Quinn misrepresented that Investor A's net worth, excluding the value of her home, was \$3,000,000 and that Investor A's liquid net worth was \$1,000,000. In fact, Investor A's only material assets include the home in which she resides, the approximately \$670,000 in settlement proceeds from her accident, and an annuity that does not mature until Investor A turns 25 years old.

35. Respondent Quinn also misrepresented that Investor A had five years of investment experience in stocks, mutual funds and annuities. This means that Investor A has been making investment decisions since she was seventeen years old. In reality, Investor A has no previous investment experience.
36. Respondent Quinn made no effort whatsoever to verify Investor A's financial situation, and as such, had no basis to make any representations regarding her annual income, net worth, or liquid net worth. Furthermore, Respondent Quinn had no basis to represent that Investor A was seeking "speculation and trading" as an investment objective or that she had an "Aggressive" risk tolerance because Investor A clearly stated to Respondent Quinn that she was only interested in conservative investments.
37. Section 12.J(3) of the Act provides, *inter alia*, that it shall be a violation of the provisions of this Act for any investment adviser representative, by any means or instrumentality, directly or indirectly, to engage in any act, practice, or course of business which is fraudulent, deceptive or manipulative.
38. By virtue of the foregoing, Respondent Quinn violated Sections 12.J(3) of the Act.
39. Section 8.E(1)(b) of the Act provides, *inter alia*, that the registration of a salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the salesperson or investment adviser representative has engaged in any unethical practice in connection with any security, the offer or sale of securities or in any fraudulent business practice.
40. Section 8.E(1)(g) of the Act provides, *inter alia*, that the registration of a salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the salesperson or investment adviser representative has violated any of the provisions of this Act.
41. Accordingly, Respondent Quinn's registration as a securities salesperson and investment adviser representative in the State of Illinois is subject to suspension and revocation pursuant to Sections 8.E(1)(b) and 8.E(1)(g) of the Act.

COUNT 3

FRAUD IN THE OFFER AND SALE OF SECURITIES

Misrepresentations and Omissions of Fact to Client

42. Paragraphs 1-22 are re-alleged as if fully set forth herein.
43. In the course of providing investment advice to Investor A, Respondent Quinn made a number of misrepresentations and omissions of fact to Investor A

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regarding his experience in trading options, his success in trading options, and the level of risk involved with investing in stock options.

44. For example, Respondent Quinn told Investor A that he had 15 years of options trading experience and earns most of his annual income by trading options.
45. In reality, Investor A was the only options client that Respondent Quinn had since he began his employment with Berthel Fisher in 2003. The only options trading experience that Respondent Quinn had since working for Berthel Fisher is the management of his personal options trading account.
46. Additionally, Respondent Quinn told Investor A that investing in options was a very low risk because of the particular investment strategies that he uses while trading options. Respondent Quinn further explained to Investor A that because of the way he invests in options, the most she could lose on each option investment is 1 or 2 percent.
47. In reality, Respondent Quinn's options investment strategy resulted in huge losses in Investor A's managed options account. Some of the options contracts Respondent Quinn purchased for Investor A lost over 90 percent (90%) of their original value.
48. Section 12.F of the Act provides that it shall be a violation of the provisions of this Act for any person to engage in any transaction, practice or course of business in connection with the sale of purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
49. Section 12.G of the Act provides that it shall be a violation of the provisions of this Act for any person to obtain money or property through the sale of securities by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.
50. Section 12.I of the Act provides that it shall be a violation of the provisions of this Act for any person to employ any device, scheme or artifice to defraud in connection with the sale or purchase of any security, directly or indirectly.
51. Section 12.J(1) of the Act provides, *inter alia*, that it shall be a violation of the provisions of this Act for any investment adviser representative, by any means or instrumentality, directly or indirectly, to employ any device, scheme or artifice to defraud any client or prospective client.
52. Section 12.J(2) of the Act provides, *inter alia*, that it shall be a violation of the provisions of this Act for any investment adviser representative, by any means or instrumentality, directly or indirectly, to engage in any transaction, practice,

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or course of business which operates as a fraud or deceit upon any client or prospective client.

53. Section 12.J(3) of the Act provides, *inter alia*, that it shall be a violation of the provisions of this Act for any investment adviser representative, by any means or instrumentality, directly or indirectly, to engage in any act, practice, or course of business which is fraudulent, deceptive or manipulative.
54. By virtue of the foregoing, Respondent Quinn violated Sections 12.F, 12.G, 12.I, 12.J(1), 12.J(2), and 12.J(3) of the Act.
55. Section 8.E(1)(b) of the Act provides, *inter alia*, that the registration of a salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the salesperson or investment adviser representative has engaged in any unethical practice in connection with any security, the offer or sale of securities or in any fraudulent business practice.
56. Section 8.E(1)(g) of the Act provides, *inter alia*, that the registration of a salesperson or investment adviser representative may be suspended or revoked if the Secretary of State finds that the salesperson or investment adviser representative has violated any of the provisions of this Act.
57. Accordingly, Respondent Quinn's registration as a securities salesperson and investment adviser representative in the State of Illinois is subject to suspension and revocation pursuant to Sections 8.E(1)(b) and 8.E(1)(g) of the Act.

PROHIBITION AND SUSPENSION

58. Section 11.F(2) of the Act provides, *inter alia*, that the Secretary of State may temporarily prohibit or suspend the offer or sale of securities by any person, and temporarily prohibit or suspend the registration of a salesperson or investment adviser representative without notice and prior hearing, if the Secretary of State shall deem it necessary to prevent an imminent violation of the Act or to prevent losses to investors that will occur as a result of prior violations of the Act.
59. The entry of this **Temporary Order** suspending the registration of **Respondent Paul R. Quinn** as a salesperson and investment adviser representative in the State of Illinois, and prohibiting **Respondents Paul R. Quinn and Paul R. Quinn and Associates**, or their agents, affiliates, successors and employees, from offering or selling securities in the State of Illinois is in the public interest and for the protection of the investing public and is consistent with the purposes intended by the provisions of the Act.
60. The aforementioned findings are based upon credible evidence.

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NOW THEREFORE IT IS HEREBY ORDERED THAT: pursuant to the authority granted by Section 11.F of the Act,

1. **Respondents Paul R. Quinn and Paul R. Quinn and Associates** and their partners, members, officers and directors, agents, employees, affiliates, successors and assigns, are **TEMPORARILY PROHIBITED** from offering or selling securities in or from this State; and
2. **Respondent Paul R. Quinn's** registration as a securities salesperson and investment adviser representative in this State are **TEMPORARILY SUSPENDED**.

NOTICE is hereby given that Respondents Paul R. Quinn and Paul R. Quinn and Associates may request a hearing on this matter by transmitting such request in writing to:

James Gleffe
Enforcement Attorney
Illinois Securities Department
Office of the Secretary of State
69 West Washington Street, Suite 1220
Chicago, Illinois 60602

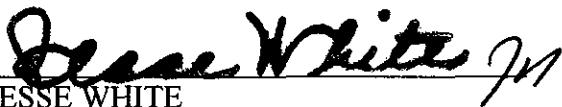
Such request must be made within thirty (30) calendar days of the date of entry of the **Temporary Order of Prohibition & Suspension**. Upon receipt of a request for hearing, a hearing will be scheduled as soon as reasonably practicable. A request for hearing will not stop the effectiveness of this Temporary Order of Prohibition and Suspension.

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FAILURE OF ANY RESPONDENT TO REQUEST A HEARING WITHIN THIRTY (30) CALANDAR DAYS AFTER ENTRY OF THIS TEMPORARY ORDER OF PROHIBITION AND SUSPENSION SHALL CONSTITUTE AN ADMISSION OF ANY FACTS ALLEGED HEREIN AND SHALL CONSTITUTE SUFFICIENT BASIS TO MAKE THIS TEMPORARY ORDER OF PROHIBITION AND SUSPENSION FINAL.

Dated this 18th day of August 2009.

A handwritten signature in black ink, appearing to read "Jesse White" with a stylized flourish at the end.

JESSE WHITE
Secretary of State
State of Illinois

Attorney for the Secretary of State:

James R. Gleffe
Enforcement Attorney
Illinois Securities Department
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