

Representative and Securities Salesperson in the State of Illinois and/or granting such other relief as may be authorized under the Act including, but not limited to, the imposition of a monetary fine in the maximum amount pursuant to Section 11.E of the Act, payable within ten (10) business days of the entry of the Order.

NATURE OF THE CASE

Investor A is a 23-year-old college student at the University of Illinois at the Urbana-Champaign. At age 12, she was involved in an automobile accident that left her paralyzed from the waist down. As a result of litigation stemming from the automobile accident, Investor A received a substantial settlement. After realizing that she needed the assistance of an investment adviser to help her manage her settlement proceeds, Investor A met with Respondent Paul Quinn to discuss potential investment options with him. Unfortunately for Investor A, Respondent Quinn engaged in a fraudulent, deceptive and manipulative course of business in carrying out his duties as her Investment Adviser Representative.

In her meetings with Respondent Quinn, Investor A indicated that she wanted conservative investments that would protect her principal because she needed the money for educational and living expenses. What Investor A was offered, however, was a package of highly risky, aggressive growth investments that were unsuitable in view of the financial resources and character of Investor A's account. Investor A entrusted \$670,000 - nearly all of her liquid assets - to Respondent Quinn to manage on her behalf. In the end, Respondent Quinn, after making a series of fraudulent statements, was given authority to place all of Investor A's money into a managed options account. As a result of Respondent Quinn's high risk transactions, Investor A suffered losses of approximately \$369,000 in only 35 days.

The grounds for this proposed action are as follows:

COUNT 1

FRAUD IN THE OFFER AND SALE OF SECURITIES

Recommending and Purchasing Securities Unsuitable in View of the Financial Resources and Character of the Account

1. Respondent **Paul R. Quinn** ("Respondent Quinn") has last known addresses of 216 East Sangamon Avenue, Suite B, Rantoul, IL 61866 and 352 Highland Drive, Rantoul, IL 61866.
2. At all relevant times, Respondent Quinn was registered with the Secretary of State of the State of Illinois as an Investment Adviser Representative and Securities Salesperson with Berthel Fisher and Company Financial Services, Inc., a registered Broker-Dealer and Investment Adviser.
3. Respondent **Paul R. Quinn and Associates** is a branch other name for Berthel Fisher and Company Financial Services, Inc with a last known address of 216 East Sangamon Avenue, Suite B, Rantoul, IL 61866. Respondent Quinn is its Principal.

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4. Investor A is a 23-year-old college student at the University of Illinois at Urbana-Champaign. At age 12, Investor A was involved in an automobile accident that left her paralyzed from the waist down.
5. As a result of the litigation relating to the automobile accident, Investor A received a significant settlement from parties involved in the litigation. The settlement was structured and part of the money was placed into a trust, and maintained on her behalf until she reached 18 years of age.
6. 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 was \$47,349.00 in 2007 and \$38,869.00 in 2008.
7. In addition, Investor A's only material assets include the home in which she resides, the approximately \$730,000 in settlement proceeds from her accident, and an annuity that does not mature until Investor A turns 25 years old.
8. In January 2009, shortly after Investor A assumed control of the trust, Investor A decided that she needed the assistance of an investment adviser to assist her in managing the funds, and so she consulted Respondent Quinn.
9. 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.
10. 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.
11. 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 living expenses.
12. 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 placement real estate ventures sponsored by Walton International.
 - c. \$100,000 in a private placement of a Real Estate Investment Trusts (REITS).
 - d. \$200,000 in Certificates of Deposit.

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13. Despite Investor A's stated investment goals of principal protection and conservative risk tolerance, the plan Respondent Quinn recommended would have placed approximately \$530,000 of Investor A's funds into investments that were risky, illiquid, or both risky and illiquid.
14. During the January 29, 2009 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 2, 2009, Respondent Quinn had Investor A sign an options account request form.
17. In a February 7, 2009 meeting that took place at the University of Illinois student union, Respondent provided Investor A with offering documents discussing the private placements in real estate and REITs. These materials stated the private placements were risky, and that investors could lose their principal. Investor A reiterated at this time that she did not want high risk investments, and she instructed Respondent Quinn not to make these investments because of the high risk involved.
18. According to Berthel Fisher's Written Supervisory Procedures ("WSP"), in order for an account to be approved to purchase put and call options, the account owner must qualify for the designated level of trading.
19. If an options account is approved that does not meet the minimum income and net worth requirements for a particular level of options trading as stated in the WSP, the WSP requires a Senior Registered Options Principal ("SROP") or a Compliance Registered Options Principal ("CROP") to make a written explanation as to why the account was approved for that level of options trading.
20. Respondent Quinn opened an options account for Investor A at Berthel Fisher despite the fact that (1) Investor A did not meet the minimum income requirements to purchase call or put options, and (2) the account did not receive written approval of a SROP or CROP to trade options.
21. Investor A never had any experience trading stock options. The only information Investor A had regarding stock options was the information Respondent Quinn provided to her orally.
22. 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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23. 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 lost money trading options in his personal options account.
24. Between February 5, 2009 and February 18, 2009, Investor A issued three checks to Respondent Quinn totaling \$670,000. Respondent Quinn deposited these funds into Investor A's managed options account with Berthel Fisher. Investor A issued the checks with the expectation that Respondent Quinn invest these funds in safe, low risk investments.
25. Instead, Respondent Quinn used nearly all of the \$670,000 entrusted to him by Investor A to purchase extremely risky stock options and penny stocks. For example, in the first five business days of trading in Investor A's managed account, Respondent Quinn placed over \$330,000 in the following trades:
- a. 2/4/09 BOT 100 calls¹ Qualcomm@ 35 Expiration (EXP) FEB/09 (\$6,673.50).
 - b. 2/4/09 BOT 50 calls Qualcomm@ 32 EXP FEB/09 (\$10,215.50).
 - c. 2/4/09 BOT 10 calls Qualcomm@ 32 EXP MAR/09 (\$2,768.50).
 - d. 2/4/09 BOT 40 calls Qualcomm@ 32 EXP MAR/09 (\$10,988.00).
 - e. 2/5/09 BOT 100 calls Merrill Lynch@ 2.5 EXP APR/09 (\$23,173.50).
 - f. 2/8/09 BOT 100 calls Quanta Services@ 20 EXP FEB/09 (\$17,673.50).
 - g. 2/8/09 BOT 100 calls Quanta Services@ 20 EXP MAR/09 (\$26,663.50).
 - h. 2/9/09 BOT 100 calls Energy Conv. Devices@ 22.5 EXP FEB/09 (\$28,405.50).
 - i. 2/9/09 BOT 50 calls Energy Conv. Devices@ 22.5 EXP MAR/09 (\$21,398.50).
 - j. 2/9/09 BOT 50 calls SPDR Gold Shares@ 88 EXP FEB/09 (\$10,348.50).
 - k. 2/9/09 BOT 10 calls Financial Sel. Sec. SPDR@ 10 EXP FEB/09 (\$645.00).
 - l. 2/9/09 BOT 90 calls Financial Sel. Sec. SPDR@ 10 EXP FEB/09 (\$5,898.70).
 - m. 2/9/09 BOT 18 calls Financial Sel. Sec. SPDR@ 10 EXP MAR/09 (\$2,025.00).
 - n. 2/9/09 BOT 82 calls Financial Sel. Sec. SPDR@ 10 EXP MAR/09 (\$9,248.50).
 - o. 2/10/09 BOT 100 calls Quanta Services@ 20 EXP FEB/09 (\$13,173.50).
 - p. 2/10/09 BOT 50 calls Quanta Services@ 20 EXP MAR/09 (\$11,848.50).
 - q. 2/10/09 BOT 50 calls SPDRs@ 84 EXP FEB/09 (\$9,830.50).
 - r. 2/10/09 BOT 50 calls SPDRs@ 84 EXP FEB/09 (\$12,508.50).
 - s. 2/10/09 BOT 25 calls SPDRs@ 84 EXP MAR/09 (\$9,778.00).
 - t. 2/10/09 BOT 50 calls SPDRs@ 84 EXP MAR/09 (\$23,348.50).
 - u. 2/10/09 BOT 50 calls Energy Sel. Sec. SPDR@ 48 EXP MAR/09 (\$13,380.50).
 - v. 2/10/09 BOT 50 calls Energy Sel. Sec. SPDR@ 48 EXP MAR/09 (\$16,298.50).
 - w. 2/10/09 BOT 10 calls Financial Sel. Sec. SPDR@ 10 EXP FEB/09 (\$405.00).
 - x. 2/10/09 BOT 10 calls Financial Sel. Sec. SPDR@ 10 EXP FEB/09 (\$598.50).
 - y. 2/10/09 BOT 90 calls Financial Sel. Sec. SPDR@ 10 EXP FEB/09 (\$3,650.50).
 - z. 2/10/09 BOT 90 calls Financial Sel. Sec. SPDR@ 10 EXP FEB/09 (\$5,175.00).
 - aa. 2/10/09 BOT 50 calls Energy Sel. Sec. SPDR@ 48 EXP FEB/09 (\$5,780.50).
 - bb. 2/10/09 BOT 50 calls Energy Sel. Sec. SPDR@ 48 EXP FEB/09 (\$8,759.50).
 - cc. 2/10/09 BOT 16 calls Financial Sel. Sec. SPDR@ 10 EXP MAR/09 (\$1,688.00).

¹ Call options are standardized contracts to purchase a particular security (Qualcomm) at a particular price (35) on or before a set expiration date on the third Friday of the month (FEB/09). Cost of this transaction (\$6,673.50).

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dd. 2/10/09 BOT 100 calls Financial Sel. Sec. SPDR@ 10 EXP MAR/09 (\$8,855.50)
ee. 2/10/09 BOT 84 calls Financial Sel. Sec. SPDR@ 10 EXP MAR/09 (\$8,855.50).

26. According to Berthel Fisher's WSP, in order for an account to be approved for this level of options trading, an annual income of \$50,000 is required and Investor A did not meet this minimum income requirement.
27. Despite Investor A's stated investment goal of principal protection and conservative risk tolerance, Respondent Quinn's trading of options in Investor A's managed account exposed her to significant risk of principal loss. Specifically, Respondent Quinn exposed Investor A to (1) the risks associated with the volatility of the options' underlying assets and (2) the risk associated with options being a wasting asset.
28. Ultimately, Respondent Quinn traded over \$1.1 million of securities in Investor A's managed options account in only 35 days. As a result of this trading activity, Investor A's account suffered losses of approximately \$369,000 or roughly 55% of the account's value.
29. 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.
30. 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.
31. Respondent Quinn's purchase of \$1.1 million worth of options contracts and penny stocks for Investor A's managed account in a 35 day period constituted an unsuitable purchase or sale of securities in view of the financial resources and character of Investor A's account.
32. By virtue of the foregoing, Respondent Quinn violated Section 12.J(3) of the Act.
33. Accordingly, Respondent Quinn is subject to a permanent order of prohibition pursuant to Sections 11.E(2) and 11.F(1)-(2) of the Act.
34. 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.

35. 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
Misrepresentations and Omissions of Fact to Client

36. Paragraphs 1-28 are re-alleged as if fully set forth herein.
37. In the course of providing investment advice to Investor A, Respondent Quinn made a number of misrepresentations and omissions of fact to Investor A regarding his experience in trading options, his success in trading options, and the level of risk involved with investing in stock options. 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. In fact, 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.
38. Additionally, Respondent Quinn told Investor A that the most she could lose on a particular options transaction was 1 or 2% because of the strategies he used.
39. In fact, Respondent Quinn's options "strategy" resulted in huge losses in Investor A's managed options account. Some of the options that Respondent Quinn purchased for Investor A lost over 90 percent (90%) of their original value.
40. 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 or purchase of securities which works or tends to work a fraud or deceit upon the purchaser or seller thereof.
41. 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.
42. 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.
43. 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.

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44. 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, or course of business which operates as a fraud or deceit upon any client or prospective client.
45. 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.
46. 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.
47. Accordingly, Respondent Quinn is subject to a permanent order of prohibition pursuant to Sections 11.E(2) and 11.F(1)-(2) of the Act.
48. 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.
49. 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.
50. 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.

NOTICE: You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above within thirty (30) days of the receipt of this Notice. A failure to file an answer within the prescribed time shall be construed as an admission of the allegations contained in the Notice of Hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default, unless any Respondent has upon due notice moved for and obtained a continuance.

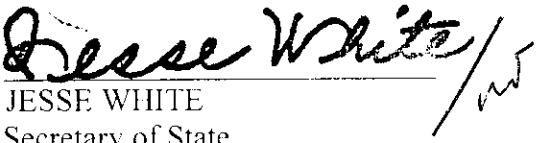
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A copy of the Rules and Regulations promulgated under the Illinois Securities Law and pertaining to hearings held by the Office of the Secretary of State, Illinois Securities Department, are available at the Department's website at:
<http://www.cyberdriveillinois.com/departments/securities/lawrules.html>, or on request.

Delivery of Notice to the designated representative of any Respondent constitutes service upon such Respondent.

Dated: This 26th day of October 2009.



JESSE WHITE
Secretary of State
State of Illinois

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