

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

CORRECTED

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 56252 / August 15, 2007**

**INVESTMENT ADVISERS ACT OF 1940**  
**Release No. 2634 / August 15, 2007**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-12725**

<p><b>In the Matter of</b></p> <p style="text-align:center"><b>Quattro Global Capital, LLC,</b></p> <p><b>Respondent.</b></p>	<p>ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER PURSUANT TO SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(e) OF THE INVESTMENT ADVISERS ACT OF 1940</p>
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**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 Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) and Section 203(e) of the Investment Advisers Act of 1940 (“Advisers Act”) against Quattro Global Capital, LLC (“Respondent”).

**II.**

In anticipation of the institution of 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, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over them 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 Section 21C of the Securities Exchange Act of 1934 and Section 203(e) of the Investment Advisers Act of 1940 (the “Order”), as set forth below.

### III.

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

#### **Respondent**

1. Quattro Global Capital, LLC ("Quattro"), is a registered investment adviser to a group of hedge funds (the "Funds") with assets of approximately \$900 million as of June 2007. Quattro directs the Funds' investment decisions using a strategy focused on convertible debt arbitrage. Quattro, which was formed in 1998, is based in New York, New York and is closely held by its three principals.

#### **Summary**

2. This matter involves Quattro's repeated failure to file Forms 13F with the Commission between 2002 and mid-2005. Section 13(f) of the Exchange Act requires institutional investment managers who exercise investment discretion over at least \$100 million of certain securities (called "Section 13(f) securities") to file a Form 13F quarterly with the Commission disclosing the Section 13(f) securities under management. The purpose of this disclosure requirement is to collect and disseminate to the public information about the holdings and investment activities of institutional money managers in order to assist investors, issuers and government regulators. Since 2001, Quattro's assets under management have exceeded the \$100 million threshold in Section 13(f) securities, obligating Quattro to file a Form 13F each quarter beginning in 2002. However, Quattro failed to file any Forms 13F until July 2005, when the Commission's inspection staff began questioning Quattro about the absence of such filings.

#### **Legal Framework**

3. Section 13(f) of the Exchange Act and Rule 13f-1 thereunder require institutional investment managers who exercise investment discretion over \$100 million or more of Section 13(f) securities – exchange-traded equities (including certain convertible debt securities) as described in Rule 13f-1 and as listed on the Commission's Official List of Section 13(f) Securities – to file Forms 13F with the Commission. The Form 13F must disclose the specific holdings in Section 13(f) securities under the manager's discretion as of the December quarter of the calendar year during which the \$100 million threshold is reached and for the March, June and September quarters of the following year. The filings are due within 45 days of the end of each quarter.

4. The Congressional purpose in enacting Section 13(f) of the Exchange Act was "to create a central depository of historical and current data about the investment activities of institutional investment managers" to assist investors and government regulators. S. Rep. No. 94-75, 94th Cong., 2d Sess. 82-85 (1975). The information is valuable to the Commission because it "facilitate[s] consideration of the influence and impact of institutional investment managers on the securities markets and the public policy implications of that influence." Reporting by Institutional Investment Managers of Information With Respect To Accounts Over Which Investment Discretion is Exercised, Release No. 34-13396, at 1 (Mar. 22, 1977). The need for such information in the regulatory oversight of market practices is at least as acute today, when

institutional investment managers oversee in excess of \$1 trillion of hedge fund investments, as it was in 1975 when Section 13(f) was enacted.

5. The information is also important to investors and issuers, as the Commission states in the instructions to Form 13F:

The purpose of Form 13F is to provide a reporting and disclosure system to collect specific information and to disseminate such information to the public about the holdings of institutional investment managers who exercise investment discretion over certain accounts of equity securities . . . (generally, exchange traded or NASDAQ-quoted securities) having, in the aggregate, a fair market value of at least \$100,000,000. We believe that investors will find Form 13F report information useful in tracking institutional investor holdings in their investments and that issuers, too, will find detail as to institutional investor holdings useful because much of their shareholder list may reflect holdings in “street name” rather than beneficial ownership.

### **Facts**

6. Quattro began managing the Funds’ assets in 1998. Beginning on the last trading day of June 2001, the fair market value of Section 13(f) securities – publicly-traded equity securities as described in Exchange Act Rule 13f-1(c) – managed by Quattro exceeded \$100 million.<sup>1</sup>

7. Because Quattro exercised investment discretion with respect to more than \$100 million worth of Section 13(f) securities on the last trading day of a month in 2001, Quattro was obligated to disclose its 2001 year-end holdings of Section 13(f) securities by filing a Form 13F with the Commission within 45 days of December 31, 2001. See Exchange Act Section 13(f); Exchange Act Rule 13f-1(a)(1). Quattro was also obligated to file additional Forms 13F as of the next three calendar quarters of 2002. Id.

8. Subsequently, Quattro’s assets under management, including the Funds’ holdings of Section 13(f) securities, increased steadily and by late 2004 exceeded \$1 billion. Thus, from February 2002 through the present, Quattro has had a continuous obligation to file Forms 13F on a quarterly basis. Quattro failed to file any Forms 13F prior to July 2005.

9. Quattro had notice of the Form 13F filing requirement prior to July 2005. For example, the various drafts of Quattro’s compliance manual, beginning in March 2004, described the Commission’s Form 13F filing requirement, as did Quattro’s January 2005 compliance manual,

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<sup>1</sup> Each quarter, the Commission publishes a list of Section 13(f) securities to assist institutional investment managers in the preparation of their Form 13F filings. See Exchange Act Rule 13f-1(c).

which was implemented and distributed to all personnel at the end of January 2005.<sup>2</sup> Also in January 2005, Quattro's outside counsel sent a memo to all its hedge fund clients describing the Form 13F requirements and filing deadlines. That same month, Quattro's outside auditor emailed to Quattro a similar Form 13F reminder prepared by another law firm.

10. Quattro repeatedly failed to meet its statutory obligation to file reports pursuant to Section 13(f), and took no steps toward filing until questioned by the Commission's staff. In June 2005, while conducting an inspection of Quattro, the inspection staff of the Commission questioned Quattro's failure to make the required Form 13F filings. On July 20, 2005, in response to the inspection staff's questioning, Quattro made the determination to file its first Form 13F, for the quarter ending June 30, 2005.

11. In late July 2006, following further inquiry from the Enforcement Staff, Quattro filed 14 retrospective Forms 13F covering the period from 2002 to mid-2005.

#### **Violations**

12. As a result of the conduct described above, Quattro willfully violated Section 13(f)(1) of the Exchange Act and Rule 13f-1 thereunder by failing to file any Forms 13F from February 2002 to June 2005 despite its obligation to file Forms 13F on a quarterly basis during that period.<sup>3</sup>

#### **IV.**

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

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 203(e) of the Advisers Act, Quattro be, and hereby is, censured;

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<sup>2</sup> Pursuant to Advisers Act Rule 206(4)-7, all registered investment advisers were obligated to adopt and implement, by October 5, 2004, written policies and procedures reasonably designed to prevent violations of the Advisers Act. See Compliance Programs of Investment Companies and Investment Advisers, Release Nos. IA-2204, IC-26299 (Dec. 17, 2003).

<sup>3</sup> "Willfully" as used in this Order means intentionally committing the act that constitutes the violation (cf. Wonsover v. SEC, 205 F.3d 408, 414 (D.C. Cir. 2000); Tager v. SEC, 344 F.2d 5, 8 (2d Cir. 1965)), and there is no requirement that the actor also be aware that he is violating one of the Rules or securities Acts. Id.

B. Pursuant to Section 21C of the Exchange Act, Quattro cease and desist from committing or causing any violations and any future violations of Section 13(f) of the Exchange Act and Rule 13f-1 promulgated thereunder;

C. Quattro pay, within 30 days of the entry of this Order, a civil money penalty in the amount of \$100,000 to the United States Treasury. 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 Quattro as the Respondent in these proceedings and the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Bruce Karpati, Assistant Regional Director, Division of Enforcement, Securities and Exchange Commission, New York Regional Office, 3 World Financial Center, New York, NY 10281.

By the Commission.

Nancy M. Morris  
Secretary