

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933

Release No. 9925 / September 23, 2015

SECURITIES EXCHANGE ACT OF 1934

Release No. 75967 / September 23, 2015

INVESTMENT ADVISERS ACT OF 1940

Release No. 4206 / September 23, 2015

INVESTMENT COMPANY ACT OF 1940

Release No. 31847 / September 23, 2015

ADMINISTRATIVE PROCEEDING

File No. 3-16829

In the Matter of

**WILLIAM B. FRETZ, JR.,
JOHN P. FREEMAN,
COVENANT CAPITAL
MANAGEMENT PARTNERS,
L.P., AND COVENANT
PARTNERS, L.P.,**

Respondents.

**ORDER INSTITUTING ADMINISTRATIVE
AND CEASE-AND-DESIST PROCEEDINGS,
PURSUANT TO SECTION 8A OF THE
SECURITIES ACT OF 1933, SECTIONS 15(b),
AND 21C OF THE SECURITIES EXCHANGE
ACT OF 1934, SECTIONS 203(e), 203(f) AND
203(k) OF THE INVESTMENT ADVISERS
ACT OF 1940, AND SECTION 9(b) OF THE
INVESTMENT COMPANY ACT OF 1940
MAKING FINDINGS, AND IMPOSING
REMEDIAL SANCTIONS AND A CEASE-
AND-DESIST ORDER**

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 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (“Advisers Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”) against William B. Fretz, Jr., John P. Freeman, Covenant Capital Management Partners, L.P., and Covenant Partners, L.P. (“Respondents”).

II.

In anticipation of the institution of these proceedings, Respondents have submitted Offers of Settlement (the “Offers”) 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, and except as provided herein in Section V as to Fretz and Freeman, Respondents consent to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Section 8A of the Securities Act of 1933, Sections 15(b), and 21C of the Securities Exchange Act of 1934, Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940 Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondents’ Offers, the Commission finds¹ that:

Summary

These proceedings arise out of an offering fraud and investment advisory fraud orchestrated by William B. Fretz, Jr. (“Fretz”) and John P. Freeman (“Freeman”) through sales of partnership interests in Covenant Partners, L.P. (“Covenant” or the “Fund”) and the operation of its adviser, Covenant Capital Management Partners, L.P. (“CCMP”), which Fretz and Freeman controlled.

Since 1999, Fretz and Freeman raised approximately \$7.3 million through the sale of Covenant partnership interests to 58 limited partners. To induce investments in the Fund, Fretz and Freeman represented to investors, in offering documents and orally, that Covenant would primarily invest in direct marketing companies, that Covenant would only pay the adviser performance fees if certain conditions were met, and that Fretz and Freeman would act as fiduciaries in the best interests of the fund. After some initial investment consistent with these representations, Fretz and Freeman, through CCMP, ultimately used the majority of Covenant investor funds for their own purposes and benefit, contrary to their representations and in breach of their fiduciary duties. Through various means, Fretz and Freeman funneled in excess of \$1.1 million into a failing broker-dealer they operated and controlled, known as the Keystone Equities Group, L.P. (“Keystone”). They knew or were reckless in not knowing that Covenant would not recoup those funds and in fact, Keystone ultimately collapsed. Despite failing to meet the performance benchmarks set forth in Covenant offering documents, Fretz and Freeman awarded themselves nearly \$600,000 in improper performance fees. Finally, when unable to repay personal obligations to a third-party private equity fund, Fretz and Freeman eventually

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

transferred Covenant assets valued at nearly \$4 million to the private equity fund. While engaging in this misconduct, Fretz and Freeman continued to solicit new investors based on the same representations, knowing they were false.

Respondents

1. William B. Fretz, Jr., age 50, resides in Souderton, Pennsylvania. He is a limited partner of CCMP, a Director and shareholder of Covenant Capital Management, Inc. (“CCM, Inc.”), and was President of Keystone, prior to the termination of Keystone’s registration. Fretz held Series 55 and 65 licenses during portions of the relevant time period. On May 30, 2013, FINRA barred Fretz from associating with any FINRA member firm in any capacity. That decision is currently pending appeal.

2. John P. Freeman, age 55, resides in Newtown, Pennsylvania. He is a limited partner of CCMP, President, CEO, a Director and shareholder of CCM, Inc., and was a partner in Keystone, prior to the termination of Keystone’s registration. Freeman held Series 7 and 63 licenses during portions of the relevant time period. On May 30, 2013, FINRA barred Freeman from associating with any FINRA member firm in any capacity. That decision is currently pending appeal.

3. Covenant Partners, L.P., is a Pennsylvania partnership based in Oaks, Pennsylvania. It has never had a class of securities registered with the Commission. Covenant was established in 1996. On September 19, 2014, Covenant filed a Voluntary Petition for Bankruptcy under Chapter 7 of the Bankruptcy Code (the “Bankruptcy Proceedings”). At that time it had approximately 58 limited partners, consisting of primarily family and friends of Fretz and Freeman.

4. Covenant Capital Management Partners, L.P., a Delaware limited partnership, is the general partner of Covenant and was the investment adviser to the Fund prior to its bankruptcy petition. CCMP is comprised of one general partner, Covenant Capital Management, Inc., which owns 1% of CCMP. Fretz and Freeman are the limited partners of CCMP, each owning 49.5%, and control all decisions of CCMP, and thus made all decisions on behalf of the Fund prior to its bankruptcy. CCMP has never been registered with the Commission in any capacity or with any state as an investment adviser.

Other Relevant Persons and Entities

5. Covenant Capital Management, Inc., a Delaware corporation, is the general partner of CCMP and holds a 1% interest in CCMP. Fretz and Freeman each own 50% of the common stock of CCM, Inc.

6. The Keystone Equities Group, L.P., was previously a registered broker-dealer located in Oaks, Pennsylvania. Fretz and Freeman were both principals of Keystone, which they operated and controlled. Keystone served as the broker-dealer to Covenant. From January 2008

through December 2010, Keystone employed only three registered representatives, in addition to Fretz and Freeman. On May 30, 2013, FINRA fined Keystone \$25,000 relating to misstatements made to FINRA by Fretz and Freeman on behalf of Keystone that related to the transfer of Covenant assets to Keystone. This decision is pending appeal. On August 12, 2013, Keystone's registration with FINRA was cancelled for failure to pay outstanding fees. Keystone's SEC registration was terminated on August 31, 2013 and it no longer conducts any business.

Facts

Background

7. Prior to filing for bankruptcy, Covenant was a private equity fund managed by its general partner, CCMP. Fretz and Freeman are the only limited partners of CCMP and each owns 49.5%, with the remaining 1% owned by CCM, Inc., which was owned 50% by Fretz and 50% by Freeman. Fretz and Freeman collectively exercised complete control over CCMP and Covenant.

8. Fretz and Freeman were both investment advisers to the Fund. Fretz and Freeman made all day-to-day decisions regarding the management of Covenant, including how to invest, disperse, or otherwise use Covenant's assets. They also were responsible for soliciting all investors in the Fund.

9. From 1999 through 2014, Fretz and Freeman, through CCMP and Covenant, raised approximately \$7.3 million from investors who became limited partners of Covenant. Covenant has approximately 58 limited partners who have invested capital into the Fund.

Disclosures Regarding the Use of Investor Funds

10. Fretz and Freeman handled all marketing and sales of the Covenant limited partnership interests. Partnership interests were sold to friends and family through oral statements about the Fund, and through the distribution of Covenant's Offering Circular. In addition, all investors were required to sign the Limited Partnership Agreement. Fretz and Freeman had ultimate authority over the drafting and distribution of the Covenant Offering Circular and the Limited Partnership Agreement used to solicit investors.

11. These documents define the duties and responsibilities of CCMP on behalf of Covenant and describe how the partnership assets are to be used. For example, the Offering Circular states that Covenant's proceeds will be "invested in securities and otherwise applied to the business and expenses of the Partnership." The Limited Partnership Agreement dictates that the "purpose and business of the Partnership generally is to acquire, purchase, invest in, hold for investment, own, exchange, assign, sell or otherwise dispose of, trade in . . . or otherwise deal in Securities and Commodity Interests . . . including, without limitation, borrowing and lending Securities, Commodity Interests and funds." The Limited Partnership Agreement defines "Securities" as "securities, repurchase agreements and other intangible investment instruments and vehicles of every kind and nature . . ."

12. Covenant's Offering Circular states that "[t]he emphasis of the portfolio management will be on stock selection" and that "[t]he Partnership intends to concentrate a major portion of its investments in companies that utilize state-of-the-art direct and data base marketing techniques in their operations as a service provider or that have internally implemented such techniques."

13. The Offering Circular further states that the General Partner is "a fiduciary and consequently must exercise good faith and integrity in handling partnership affairs" and that the general partner will not "unfairly profit from any transaction" with Covenant.

Improper Transfers to Keystone

14. During the relevant time period, Keystone was a registered broker-dealer operated and controlled by Fretz and Freeman. It purportedly provided investment banking services to small and medium sized companies and employed three registered representatives in addition to Fretz and Freeman.

15. Keystone was not profitable from 2008 through 2010 and experienced significant financial difficulty. In 2008, Keystone sustained net losses exceeding \$600,000. In 2009, its losses exceeded \$546,000 and in 2010 Keystone had losses of nearly \$600,000. Keystone's 2010 audited financial statements contained a "going concern" clause, reflecting its auditors' doubts about the company's ability to stay in business.

16. These financial losses at Keystone occurred despite massive cash infusions by Covenant. From 2008 through 2012, Fretz and Freeman transferred at least \$1,100,500 from Covenant into Keystone in a failed attempt to sustain its operations. At times, Fretz or Freeman transferred funds to themselves and then to Keystone and at other times they transferred the funds directly to Keystone.

17. At various times Fretz and Freeman caused these payments to be recorded on Covenant's books and records as loans to Fretz, distributions from Fretz's or Freeman's capital accounts, or as direct loans to Keystone. Fretz and Freeman did not disclose these payments to Covenant investors, even though they made these payments to Keystone, rather than investing these funds in the types of investments that were the stated focus of the fund.

18. In fact, the Limited Partnership Agreement required Covenant and CCMP to obtain and distribute to investors yearly audited financial statements for the Fund. These audited financial statements would have been required to reflect the transfers to Keystone. But Fretz, Freeman, CCMP and Covenant failed to obtain audited financial statements for Covenant in 2008, 2009, and 2010, or to take any other steps to disclose these payments, and thus investors were not alerted to the payments to Keystone.

19. The movement of funds from Covenant to Keystone frequently coincided with capital investments into Covenant by new or existing limited partners. The investments were solicited to be used for the purposes described in the Offering Circular. However, after January 1, 2010, Covenant made no new investments in direct marketing companies or other securities.

Incoming limited partner contributions received thereafter, more than \$620,000, were used almost entirely to fund Keystone and make payments to Fretz and Freeman.

20. None of the purported “loans” to Fretz were ever reduced to writing and no payments of interest or principal were ever made. After years of accepting payments from Covenant without documentation and without making any interest or principal payments to Covenant, Keystone executed a purported Promissory Note to Covenant dated December 31, 2010 for \$1,410,573 at a 10% annual interest rate, apparently intended to cover prior cash transfers to Keystone plus interest. The note did not call for periodic payments, but instead required all principal and interest to be paid on or before December 31, 2012. Fretz signed this Promissory Note on behalf of Keystone and Freeman signed on behalf of Covenant. As with the initial transfers of money from Covenant to Keystone, the Promissory Note was not disclosed to Covenant investors.

21. Keystone never paid any interest or principal on the Promissory Note. Given the financial performance of Keystone, Fretz and Freeman knew or were reckless in not knowing that Keystone would not be able to pay back such funds as required by the Promissory Note, even at the time they entered into the loan agreement.

Use of Fund Assets to Satisfy Personal Debts

22. Fretz and Freeman also used Covenant assets to secure their personal debts, in breach of their fiduciary duties to the Fund. Fretz, Freeman, and CCMP caused Covenant to transfer Fund assets in violation of the stated uses in the Offering Circular and Limited Partnership Agreement. In doing so, they stripped the Fund and its limited partners of assets valued at nearly \$4 million.

23. In approximately March 2011, in three separate loans, Fretz and Freeman borrowed money individually and on behalf of Covenant from a private equity fund (“Partnership A”). Freeman borrowed \$50,000 at a 10% annual interest rate, Fretz borrowed \$450,000 at a 10% annual interest rate and together, on behalf of Covenant, they borrowed \$300,000 at a 12% annual interest rate. Each note contained a maturity date of November 30, 2011, and the loans were initially unsecured.

24. These loans were not repaid by the maturity date. Instead, Fretz and Freeman engaged in lengthy discussions and negotiations with Partnership A’s manager (“Partner A”) for alternative payment terms. During those discussions, Partner A demanded collateral for the three loans, and ultimately demanded assets of Covenant as that collateral.

25. These negotiations over alternative payment terms continued for two years after maturity of the loans. Ultimately they agreed to Partner A’s demand to transfer ownership of 5 million shares of common stock in a closely-held corporation (“Issuer”) owned by Covenant as “collateral” for personal obligations and the Covenant loan. Fretz and Freeman signed papers “acknowledging” that a debt of over \$1 million was a debt of Covenant’s. This statement was false. At no time did the Fund borrow more than \$300,000 in principal from Partnership A.

Moreover, the Fund made a cash payment of \$125,000 to Partnership A during 2012, reducing the principal owed to only \$175,000.

26. The 5 million Issuer shares that Fretz and Freeman transferred out of Covenant were valued on Covenant's books and records at \$3.8 million at the time pledged. While the shares were initially transferred as "collateral," none have been returned to the Fund because Fretz and Freeman never repaid their loans. Covenant failed to disclose these improper transfers and continued to solicit new investors based on the same representations, knowing they were misleading as to how Fund assets were being used.

Improper Performance Fees

27. During the relevant time period, Fretz and Freeman also directed the Fund to pay CCMP improper and unearned performance fees.

28. Covenant's Offering Circular states that CCMP, as general partner, was entitled to a 1% annual management fee, to be assessed against limited partner accounts quarterly. The Offering Circular also states that CCMP was entitled to a 20% performance fee if, and only if, the fund complied with a "high water mark" provision. That provision states that the prior years' losses must be recouped before any performance fee may be assessed. Fretz and Freeman directed CCMP to take performance fees even when the Fund did not meet this "high water mark" condition.

29. Fretz and Freeman, through CCMP and Covenant, took performance fees of \$490,373 in 2009 and \$102,248 in 2010 when Covenant had unrecouped losses, and thus, no fees should have been taken.

Violations

30. As a result of the conduct described above, Fretz, Freeman, and CCMP willfully violated and Covenant violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, which prohibit fraudulent conduct in the offer and sale of securities and in connection with the purchase or sale of securities.

31. As a result of the conduct described above, Fretz, Freeman and CCMP willfully violated Section 206(1) of the Advisers Act, which prohibits an investment adviser from employing any device, scheme, or artifice to defraud any client or prospective client.

32. As a result of the conduct described above, Fretz, Freeman and CCMP willfully violated Section 206(2) of the Advisers Act, which prohibits an investment adviser from engaging in any transaction, practice, or course of business which operates as a fraud or deceit upon a client or prospective client.

33. As a result of the conduct described above, Fretz, Freeman and CCMP willfully violated Section 206(4) of the Advisers Act, which prohibits fraudulent conduct by an

investment adviser, and Rule 206(4)-8 promulgated thereunder, which prohibits defrauding any investor or prospective investor in a pooled investment vehicle.

Undertakings

Respondents Fretz, Freeman and CCMP have undertaken to waive any and all rights to any and all equity in Covenant, and any and all claims (including for management, performance or other fees, indemnification and/or contribution) that they, or any entity they control or have an interest in, are or may be entitled to, against Covenant (the “Waived Interests”). In determining whether to accept the Offer, the Commission has considered these undertakings.

IV.

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

Accordingly, pursuant to Section 8A of the Securities Act, Sections 15(b), and 21C of the Exchange Act, Sections 203(e), 203(f) and 203(k) of the Advisers Act, and Section 9(b) of the Investment Company Act it is hereby ORDERED that:

A. Respondent Fretz cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1), 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder.

B. Respondent Freeman cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1), 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder.

C. Respondent CCMP cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Sections 206(1), 206(2) and 206(4) of the Advisers Act and Rule 206(4)-8 promulgated thereunder.

D. Respondent Covenant cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Securities Act, and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

E. Respondent Fretz be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; 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.

F. Respondent Freeman be, and hereby is:

barred from association with any broker, dealer, investment adviser, municipal securities dealer, municipal advisor, transfer agent, or nationally recognized statistical rating organization;

prohibited from serving or acting as an employee, officer, director, member of an advisory board, investment adviser or depositor of, or principal underwriter for, a registered investment company or affiliated person of such investment adviser, depositor, or principal underwriter; 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.

G. Any reapplication for association by Respondents Fretz or Freeman 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.

H. Respondents shall, within 14 days of the submission of the Chapter 7 Trustee for Covenant Partners, L.P.'s Final Report to the Office of the United States Trustee (the "Trustee's Final Report") in the related Bankruptcy Proceedings, pay, jointly and severally, disgorgement of \$5,476,928, and prejudgment interest of \$353,582 to the Securities and Exchange Commission, some or all of which may be offset as described below in paragraph IV K. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

I. Within 14 days of the submission of the Trustee's Final Report in the related Bankruptcy Proceedings, Respondent Fretz shall pay a civil penalty of \$500,000, and Respondent Freeman shall pay a civil penalty of \$500,000 to the Securities and Exchange Commission, some or all of which may be offset as described below in paragraph IV K. If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payments must be made in one of the following ways:

- (1) Respondents may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondents may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondents may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying William B. Fretz, Jr., John P. Freeman, Covenant Capital Management Partners, L.P., and Covenant Partners, L.P. as Respondents in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to G. Jeffrey Boujoukos, Associate Regional Director, Division of Enforcement, Securities and Exchange Commission, One Penn Center, 1617 JFK Boulevard, Suite 520, Philadelphia, PA 19103.

J. Regardless of whether the Commission in its discretion orders the creation of a Fair Fund for the penalties ordered in this proceeding, amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondents agree that in any Related Investor Action, they shall not argue that they are entitled to, nor shall they benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondents' payment of civil penalties in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondents agree that they shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private

damages action brought against Respondents by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

K. Based on Respondents' above-stated undertakings to waive any and all rights to the Waived Interests, and contingent upon the fulfillment of these undertakings, Respondents Fretz, Freeman and CCMP shall receive a dollar-for-dollar offset against disgorgement, prejudgment interest and civil penalty (in that order) for the dollar value that the Bankruptcy Trustee determines that Respondents Fretz, Freeman and CCMP would otherwise have been entitled to at the conclusion of the Bankruptcy Proceedings had they not waived any and all rights to the Waived Interests, taking into account any distribution to limited partners of monies recovered by the Commission in this action. The Bankruptcy Trustee has agreed to determine such amounts and make a report to the Commission staff upon closing of the Bankruptcy Proceedings concurrent with the Trustee's Final Report. To the extent additional funds are paid to Covenant in Delaware Chancery Court Docket No. 10123-VCL after the initial closing of the Bankruptcy Proceedings, relating to its ownership of Issuer common shares, prior to its acquisition, Respondents Fretz, Freeman and CCMP shall receive an additional dollar-for-dollar offset against disgorgement, prejudgment interest and civil penalty (in that order) for the dollar value that Respondents Fretz, Freeman and CCMP would otherwise have been entitled to had they not waived any and all rights to the Waived Interests, which shall be calculated using the information regarding the pro rata value of the Waived Interests provided in the Bankruptcy Trustee's report to the Commission staff.

V.

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondents, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondents under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondents of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Brent J. Fields
Secretary