

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9617 / July 24, 2014

Administrative Proceeding
File No. 3-15982

In the Matter of

MORGAN STANLEY AND CO. LLC;
MORGAN STANLEY ABS CAPITAL I INC.;
and MORGAN STANLEY MORTGAGE
CAPITAL HOLDINGS LLC

Respondents.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT
TO SECTION 8A OF THE
SECURITIES ACT OF 1933, MAKING
FINDINGS, AND IMPOSING A
CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”) against Morgan Stanley and Co. LLC (f/k/a Morgan Stanley and Co. Incorporated) (“MS & Co.”), Morgan Stanley ABS Capital I Inc. (“MSAC”), and Morgan Stanley Mortgage Capital Holdings LLC (“MSMCH”) (collectively “Respondents” or “Morgan Stanley”).

II.

In anticipation of the institution of these proceedings, Respondents have 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, Respondents consent to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing 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

This matter concerns Morgan Stanley's misleading public disclosures regarding the number of delinquent loans in two subprime residential mortgage-backed securities ("RMBS") transactions offered in 2007—Morgan Stanley ABS Capital I Inc. Trust 2007-NC4 ("NC4") and Morgan Stanley ABS Capital I Inc. Trust 2007-HE7 ("HE7") (collectively "the transactions"). Morgan Stanley sponsored, issued, and underwrote the transactions, which were collateralized by mortgage loans with an aggregate principal value balance of over \$2.5 billion.

Morgan Stanley acquired most of the loans collateralizing the transactions through public auctions of loans originated by New Century Mortgage Corporation and its affiliates ("New Century"), after it filed for bankruptcy in April 2007. In connection with the transactions, Morgan Stanley made certain representations and warranties concerning the mortgage loans backing the transactions, including those concerning delinquent loans.

The transactions, which were the last subprime RMBS Morgan Stanley sponsored, issued, and underwrote, came against a backdrop of rising borrower delinquencies and unprecedented distress in the subprime market. In the midst of these adverse market conditions, Morgan Stanley misrepresented in the offering documents the current or historical delinquency status of certain loans collateralizing the transactions.

The offering documents for the transactions disclosed that less than 1% of each pool's aggregate principal balance was more than 30 but less than 60 days delinquent as of each transaction's "cut-off date" (the "current delinquency representation"). With the exception of these loans disclosed as currently delinquent, Morgan Stanley represented that, as of each transaction's "closing date," no payment under any other loan had been more than 30 days delinquent at any time since origination (the "historical delinquency representation").

Notwithstanding the historical delinquency representation, approximately 17% of the loans collateralizing the HE7 transaction had been delinquent at some point since origination. Further, although Morgan Stanley represented that the number and percentage of currently delinquent loans included in the HE7 offering materials was as of the transaction's September 1, 2007 cut-off date, Morgan Stanley actually used payment data as of mid-September to determine the disclosed delinquencies. By using the later payment data, Morgan Stanley misreported the number of current delinquencies by 46 loans.

The NC4 transaction had a May 1 cut-off date but did not close until June 20, 2007. As a result, on at least one occasion prior to closing, Morgan Stanley received updated remittance data (that is, information about payments made by homeowners) showing at least 4.5% of the

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

aggregate principal balance of the NC4 transaction had become either 30 to 59 days delinquent (“30 days delinquent”) or 60 to 89 days delinquent (“60 days delinquent”).

Information about current and historical delinquent loans was information that investors would have considered important in deciding whether to invest in the NC4 and HE7 transactions. Morgan Stanley knew or should have known that the disclosures concerning current and historical delinquencies were materially inaccurate and would mislead purchasers in the NC4 and HE7 securities offerings.

As a result of this conduct, the HE7 trust contains loans that have actual and projected losses, based on bankruptcies, real estate owned properties (“REOs”), and foreclosures, of \$138,255,564, while the NC4 trust contains loans that have actual and projected losses, based on bankruptcies, REO’s and foreclosures, of \$21,230,863. Investors in these transactions have incurred losses.

Respondents

1. **Morgan Stanley and Co. LLC** (f/k/a Morgan Stanley and Co. Incorporated) (“MS & Co.”) is a Delaware limited liability company with its principal executive offices in New York, New York. MS & Co. is a registered broker-dealer under the Securities Exchange Act of 1934. MS & Co. served as the underwriter for the NC4 and HE7 transactions. In that capacity, MS & Co. acquired the securities issued by the RMBS trusts and sold them to investors. The individuals who acted for the depositor and sponsor in these transactions also were employees of MS & Co.

2. **Morgan Stanley ABS Capital I Inc.** (“MSAC”) is a Delaware corporation with its principal place of business in New York, New York. MSAC was the depositor for the NC4 and HE7 transactions. As the depositor, MSAC was the registrant and issuer for the transactions. The Prospectus Supplements for these transactions became part of a registration statement for RMBS offerings that MSAC previously had filed with the Commission. MSAC is an affiliate, through common parent ownership, of both MS & Co. and the sponsor, Morgan Stanley Mortgage Capital Holdings LLC.

3. **Morgan Stanley Mortgage Capital Holdings LLC** (“MSMCH”) is a New York limited liability company with its principal place of business in New York, New York. MSMCH was the sponsor of the transactions. MSMCH is an affiliate, through common parent ownership of MS & Co., the underwriter, and MSAC, the depositor.

The Securitization Process

4. Morgan Stanley structured and sold the NC4 and HE7 transactions through the sponsor, depositor and underwriter entities described above. On or about June 20, 2007, MSAC transferred 5,340 loans to the issuing entity Morgan Stanley ABS Capital I Inc. Trust 2007-NC4. On or about September 28, MSAC transferred approximately 7,670 loans to the issuing trust for Morgan Stanley ABS Capital I Inc. Trust 2007-HE7. In both instances, MSAC transferred the loans to the trusts in exchange for certificates representing the RMBS investments. MSAC sold

the certificates to MS & Co., the underwriter, which sold them to the public. MS & Co. obtained money through its sales of securities to the public and received underwriting fees in connection with the transactions.

5. The transactions were created by a team within Morgan Stanley's Global Proprietary Credit Group (the "Finance Group"). The Finance Group provided the Collateral Analysis group ("Collateral Analysis"), a business unit providing analytical support, with specific criteria for selecting a loan pool to securitize from Morgan Stanley's inventory of mortgage loans. Collateral Analysis then prepared and circulated statistical reports called "stratifications" to the Finance Group and others. Often, the stratifications contained aggregated loan statistics including a table reflecting the most recent monthly payment a borrower had made, commonly referred to as "paid thru" data. The selection of the loan pool was an iterative process as certain categories of loans were switched in and out at the direction of the Finance Group.

6. At all relevant times to the NC4 and HE7 transactions, Regulation AB required disclosure of the criteria used to purchase the pool assets, including any changes to such criteria, and disclosure of the cut-off date for establishing the composition of the asset pool. These requirements were specified in Items 1111(a)(3) and 1111(a)(5) of Regulation AB [17 C.F.R. §§ 229.1111(a)(3), 1111(a)(5)]. Although the offering documents for the transactions stated the number of delinquent loans as of the cut-off date, Collateral Analysis received updated remittance data between the cut-off and closing dates, which the Finance Group used to finalize the loan pool.

7. When composing a loan pool for a MSAC securitization, Morgan Stanley had a longstanding practice limiting the number of loans that were 30 to 59 days delinquent to less than 1% of the loan pool's aggregate principal balance. Further, under the practice, loans that were more than 60 days delinquent would not be securitized. Morgan Stanley communicated this practice to other market participants, including ratings agencies.

8. Morgan Stanley made statements to the public in the offer and sale of the transactions in the following documents filed with the Commission (the "offering documents"):

a. The Registration Statement. MSAC signed and filed with the Commission a Form S-3 registration statement for the MSAC series of RMBS. The Form S-3 contained, among other things, a form Prospectus describing the securities to be issued under the registration statement and a Form Pooling and Servicing Agreement ("PSA").

b. The Prospectus Supplement and Prospectus. MSAC filed a Prospectus Supplement and Prospectus for each transaction that contained specific information related to each trust and described, among other things, the structure of the bonds being offered, and the characteristics of the loans backing the notes. MSAC filed preliminary and final Prospectus Supplements for the transactions. The Prospectus Supplements were not separately signed, but the final Prospectus Supplements became a part of the previously signed and filed Forms S-3.

c. The PSA. MSAC filed Forms 8-K with the PSAs attached as an exhibit. The PSAs set forth, among other things, the roles, responsibilities, rights, and obligations of the sponsor, depositor, servicer, and other parties to the transactions. The PSAs also conveyed the loans to the trusts and set forth representations and warranties of the sponsor regarding the loans.

9. MSAC, MSMCH, and MS & Co. were all involved in the securitization process for the NC4 and HE7 transactions. MSAC signed the PSAs and filed them with the Forms 8-K. MS & Co. and MSMCH appeared on the securitization documents as the underwriter and sponsor respectively, and MS & Co.'s employees were officers and directors of the depositor and sponsor.

Current and Historical Delinquency Representations

10. At all relevant times to the NC4 and HE7 transactions, Regulation AB required disclosure of delinquency information related to assets that provided collateral for an asset-backed securities offering. The regulations required disclosures of the method of determining delinquencies, the total amount of delinquent assets as a percentage of the aggregate pool, and other material information concerning delinquent assets. These requirements were specified in, among other provisions, Items 1100(b) and 1111(c) of Regulation AB [17 C.F.R. §§ 229.1100(b),1111(c)].

11. Morgan Stanley made the same disclosures and representations about current and historical mortgage loan delinquencies in the NC4 and HE7 transactions. Each Prospectus Supplement disclosed (1) the number of loans that were more than 30 but less than 60 days delinquent as of the cut-off date; (2) the aggregate principal balance of these delinquent loans; and (3) the percentage of each transaction's aggregate principal balance the delinquent loans represented as of the respective cut-off date.

12. Further, each Prospectus Supplement summarized the representations that MSMCH, as sponsor, would make in the PSAs, as of each transaction's closing date. MSMCH represented that, as of the closing date, except for the mortgage loans it disclosed as delinquent as of each transaction's cut-off date, no payment was then more than 30 days Delinquent nor had any payment under the mortgage loan "been more than 30 days Delinquent at any time since the origination of the mortgage loan."

13. Each Prospectus Supplement included the following definition:

"Delinquent," with respect to any mortgage loan, means any monthly payment due on a due date that is not made by the close of business on the next scheduled due date for that mortgage loan.

This definition describes the Office of Thrift Supervision method for determining a loan's delinquency status. Almost all the loans in the NC4 and HE7 transactions had payment due dates on the first of the month.

14. By the time the NC4 and HE7 transactions were issued, the RMBS market was

experiencing unprecedented delinquencies. In the offering documents for the transactions, Morgan Stanley disclosed that “the subprime mortgage loan market has experienced increasing levels of delinquencies and defaults, and we cannot assure you that this will not continue.” Morgan Stanley was concerned about delinquencies and actively monitored the loans on its balance sheet.

The NC4 Transaction

Morgan Stanley understated currently delinquent loans

15. Morgan Stanley had a practice of closing its securitizations in the same month as the disclosed cut-off date. The NC4 transaction had a cut-off date of May 1, but did not, however, close until June 20, 2007. Indeed, Morgan Stanley did not formally acquire 90% of the loans to be included in the offering until on or about May 23, 2007. The late closing presented Morgan Stanley with operational issues as certain June payments due to the issuing trust had already been credited to Morgan Stanley. To resolve this problem, on June 11, 2007, Morgan Stanley entered into a side agreement with the servicer requiring Morgan Stanley to return the June payments to the servicer to be held for the benefit of the issuing trust. Pursuant to the side letter, the servicer agreed to provide Morgan Stanley with a June remittance report, reflecting payment data as of May 31, on or about June 18, 2007.

16. Morgan Stanley received updated remittance data a week prior to closing. Specifically, on or about June 13, 2007, Collateral Analysis provided the Finance Group with a stratification reflecting updated remittance as of June 12. The Finance Group used this updated data to move certain loans in and out of the pool.

17. On June 14, Morgan Stanley filed a preliminary Prospectus Supplement offering \$781,761,000 of securities collateralized by approximately 5,340 subprime mortgage loans with a total principal balance of just over \$1 billion as of the cut-off date. The preliminary Prospectus Supplement included bracketed blanks as placeholders for the specific delinquency values. It stated that: “[] mortgage loans with an aggregate principal balance as of the cut-off date of \$[], which represents *no more than approximately 1%* of the mortgage loans in the final mortgage pool, were more than 30 days but less than 60 days Delinquent with respect to their scheduled monthly payments.” [Emphasis added]

18. On June 20, 2007, after obtaining the updated remittance data discussed above Morgan Stanley filed a final Prospectus Supplement including specific delinquency values. Morgan Stanley stated that “41 mortgage loans with an aggregate principal balance as of the cut-off date of \$10,501,930.24, which represents approximately 0.9994% of the mortgage loans in the final mortgage loan pool, were more than 30 days but less than 60 days Delinquent with respect to their scheduled payments.”

19. The updated payment data Morgan Stanley obtained on June 13, 2007, showed that delinquencies as of that date were materially higher than what Morgan Stanley disclosed in the final Prospectus Supplement as of the May 1 cut-off date. This updated payment information was available to Morgan Stanley a week before the transaction closed.

20. The first monthly remittance report issued to investors by the Securities Administrator for the NC4 transaction, which reported payments made through May 31, 2007, showed that 4.5% of the aggregate principal balance of the loans collateralizing the NC4 transaction was more than 30 days delinquent as of May 31, 2007. 133 loans were 30 days delinquent, and 42 loans were 60 days delinquent.

21. Despite the NC4 transaction's delayed closing, and representations in the offering documents that extended the delinquency representation to the June 20 closing date, Morgan Stanley failed to disclose that (1) over 130 additional loans had become 30 days delinquent; and (2) the 41 loans it had disclosed as 30 days delinquent as of the cut-off date had become more than 60 days delinquent at closing. These loans have actual and projected losses, based on bankruptcies, REOs, and foreclosures, of \$21,230,863.

22. Morgan Stanley obtained money from sales of securities to investors in the NC4 transaction, including an underwriting fee of \$484,091 on the NC4 transaction, and through the sale of the mortgages to the NC4 trust on the closing date of the securitization.

The HE7 Transaction

Morgan Stanley understated historically delinquent loans

23. On September 28, 2007, Morgan Stanley filed a final Prospectus Supplement offering \$1,376,624,000 of securities collateralized by approximately 7,670 subprime mortgage loans with a total principal balance of approximately \$1.5 billion.

24. As described in paragraph 12, *supra*, Morgan Stanley represented that except for the loans it disclosed as delinquent, no payment under any other loan collateralizing the HE7 transaction had been more than 30 days delinquent at any time since origination.

25. Generally, loans collateralizing the HE7 transaction were more seasoned (that is, had been outstanding for a longer period of time and had a fuller payment history) than loans that collateralized prior RMBS sponsored by Morgan Stanley. Some investors requested information about the seasoned loans' delinquency history. As a result, the Finance Group requested that Collateral Analysis create a chart detailing the historical delinquency of the loans seasoned more than 6 months ("seasoned loan historical delinquency chart"). The chart showed that at least 25% of the seasoned loans had been historically delinquent, which equated to approximately 8.5% of the loans in the overall pool. The Finance Group forwarded that chart to sales personnel, who made it available to potential investors upon their request.

26. Some investors also requested historical delinquency information for the loans seasoned six months or less. The Finance Group requested and received a chart detailing the historical delinquencies for approximately 90% of the loans in the HE7 transaction, regardless of the seasoning (the "historical delinquency chart"). It showed that 1,241 loans, or approximately 17% of the loans in the HE7 pool, by principal balance, had been historically delinquent. This second chart was not forwarded to Morgan Stanley's sales personnel or potential investors.

Morgan Stanley understated currently delinquent loans

27. The Prospectus Supplement stated that “83 mortgage loans with an aggregate principal balance as of the cut-off date of \$15,389,733.19, which represents approximately 0.99% of the mortgage loans in the final mortgage loan pool, were more than 30 days but less than 60 days Delinquent with respect to their scheduled monthly payments.” Morgan Stanley represented that the HE7 transaction had a cut-off date of September 1, 2007.

28. In determining the delinquency information disclosed in the HE7 prospectus supplement, Morgan Stanley used data that included payments as of September 20 (not the September 1 cut-off date) to determine which months the loans were paid thru. By using payment information that included payments made after the cut-off date, Morgan Stanley counted 46 loans as current that otherwise would have been delinquent as of the cut-off date. As a result, Morgan Stanley underreported the number of loans that were more than 30 days delinquent as of the cut-off date and the percentage of such loans in the trust.

29. These historically delinquent loans and currently delinquent loans have actual and projected losses, based on bankruptcies, REOs, and foreclosures, of \$138,255,564.

30. Morgan Stanley obtained money from sales of securities to investors in the HE7 transaction, including an underwriting fee of \$657,334 on the HE7 transaction, and through the sale of the mortgages to the HE7 trust on the closing date of the securitization.

Morgan Stanley’s Misleading Statements Concerning Current and Historical Delinquencies

31. Morgan Stanley misled investors in the NC4 transaction by stating that 41 mortgage loans with a total principal balance of approximately \$10 million were more than 30 but less than 60 days delinquent. A week before the NC4 transaction closed, Morgan Stanley received updated payment data and thus knew or should have known that the number of delinquent mortgage loans and the corresponding percentage of the aggregate principal balance were materially higher. Further, Morgan Stanley knew or should have known that 60-day delinquent loans were included in the pool.

32. Morgan Stanley misled investors in the HE7 transaction by stating that 83 mortgage loans were more than 30 but less than 60 days delinquent as of the September 1 cut-off date when it knew or should have known that it used borrower payments received after the cut-off date to reduce the number of delinquent loans. Morgan Stanley also misled investors by representing that, except for the loans it disclosed as delinquent, no mortgage loan payment had been more than 30 days delinquent since origination. Morgan Stanley had the seasoned loan historical delinquency chart and the historical delinquency chart and thus knew or should have known that at least an additional 1,241 loans had been historically delinquent.

33. Information about the delinquency status of mortgage loans that provide collateral for an RMBS offering was important to investors. The mortgage loans that provide

the collateral in an RMBS transaction are the primary source of funds by which investors potentially can recover and profit from their investments. The presence and extent of current and historical delinquencies is important information to investors because it helps enable them to assess the likelihood that borrowers will be able to repay their mortgage loans and, as a result, whether investors will suffer losses on, or will recover and profit from, their investments.

34. As described above, Morgan Stanley received money from sales of securities to investors in the NC4 and HE7 transactions.

Morgan Stanley's Acts that Operated or Would Operate as a Fraud or Deceit Upon Purchasers

35. The NC4 and HE7 transactions were the last subprime RMBS Morgan Stanley sponsored, issued, and underwrote. Morgan Stanley conducted these RMBS transactions during a time when the subprime residential housing market was experiencing unprecedented delinquencies. As part of this process, Morgan Stanley failed to remove or accurately disclose loans with either current and/or historical delinquencies, contrary to the disclosures made in each transaction's offering documents.

36. For the NC4 transaction, Morgan Stanley used a cut-off of May 1 despite the resulting operational issues and its receipt of updated payment data showing current delinquencies had materially increased prior to closing. As a result, Morgan Stanley filed offering documents that materially understated current delinquencies.

37. For the HE7 transaction, Morgan Stanley included at least 1,241 loans that had been historically delinquent. Despite receiving the historical delinquency chart showing that approximately 17% of the HE7 loan pool had been historically delinquent, Morgan Stanley represented in the offering documents that no loans had been more than 30 days delinquent since origination, other than the approximately 1% of loans disclosed as being more than 30 days delinquent. Further, Morgan Stanley used payment data as of September 20, not the stated September 1 cut-off date, as the basis for stating in its offering documents that less than 1% of the aggregate principal balance of the pool was 30 days delinquent.

Conclusion

38. Section 17(a)(2) of the Securities Act prohibits a person in the offer or sale of securities from directly or indirectly obtaining money or property 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 are made, misleading. Section 17(a)(3) of the Securities Act prohibits a person in the offer or sale of securities from directly or indirectly engaging in a transaction, practice, or course of business which operates or would operate as a fraud or deceit upon a purchaser of securities. A violation of these sections may be established by a showing of negligence.

40. As a result of the conduct described above, Respondents Morgan Stanley & Co. LLC, Morgan Stanley ABS Capital I Inc., and Morgan Stanley Mortgage Capital Holdings LLC violated Sections 17(a)(2) and (3) of the Securities Act.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondents' Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondents cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and (3) of the Securities Act.

B. Respondents shall, jointly and severally, within ten (10) business days of the entry of this Order, pay disgorgement of \$160,627,852, prejudgment interest of \$17,995,437, and a civil penalty of \$96,376,711 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600. Payment 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 Morgan Stanley and Co. LLC, Morgan Stanley ABS Capital I Inc., and Morgan Stanley Mortgage Holding Company LLC, 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 Andrew Sporkin, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-6030.

C. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended, a Fair Fund is created for the disgorgement, interest, and penalties referenced in Section IV.B above. Regardless of whether any such Fair Fund distribution is made, 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 a civil penalty 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.

D. The disgorgement, interest, and civil penalties paid to the Fair Fund shall be distributed pursuant to a distribution plan (the "Plan") to be administered in accordance with the Commission Rules of Practice governing Fair Funds and Disgorgement Plans. A Fund Administrator (the "Administrator") shall be appointed by the Commission. The Administrator will prepare, in coordination with the Commission staff, the Plan to distribute the Fair Fund resulting from this Order. The Plan will be subject to Commission approval. Respondents shall, jointly and severally, pay all reasonable administrative costs and expenses of each distribution, including the fees and expenses of a tax administrator, within thirty (30) days after receipt of an invoice for such services.

By the Commission.

Jill M. Peterson
Assistant Secretary