

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

**SECURITIES ACT OF 1933**  
**Release No. 9654 / September 24, 2014**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 73200 / September 24, 2014**

**ACCOUNTING AND AUDITING ENFORCEMENT**  
**Release No. 3583 / September 24, 2014**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16159**

**In the Matter of**

**SABA SOFTWARE, INC.,  
PATRICK FARRELL and  
SAJEEV MENON**

**Respondents.**

**ORDER INSTITUTING CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 AND SECTION 21C OF THE SECURITIES EXCHANGE ACT OF 1934, 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”) and Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”) against Saba Software, Inc., Patrick Farrell and Sajeev Menon (collectively, “Respondents”).

**II.**

In anticipation of the institution of these proceedings, each of the Respondents has submitted an Offer of Settlement (the “Offers”) that 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 each and over 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 and Section 21C of the Securities Exchange Act of 1934, 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 finds<sup>1</sup> that:

#### Summary

1. This financial fraud involves falsification of time records and fraudulent revenue recognition for certain professional services at Saba Software, Inc. (“Saba” or “the Company”), a Silicon Valley-based enterprise software company that traded on the NASDAQ (ticker: SABA) until it was de-listed in April 2013 for delinquent SEC filings. The scheme to defraud was carried out, over the period from Saba’s fiscal year 2008 through the second quarter of fiscal 2012, by professional services managers in multiple geographies directing consultants in Saba’s Indian subsidiary (the India Consulting Group or “ICG”) to falsify time records by either recording time in advance of performance of work or failing to record time for hours worked in order to achieve their quarterly revenue and margin targets.

2. Although the fraud occurred throughout the global professional services organization, former Vice Presidents Patrick Farrell (“Farrell”) and Sajeev Menon (“Menon”) were the most senior individuals involved in the improper time-reporting practices during their respective periods of employment at Saba. They also understood the impact that these improper practices had on Saba’s reporting of professional services revenue.

3. As a result of the falsification of time records by Saba professional services managers, Saba reported false financial results in at least 40 filings with the Commission and dozens of press releases. Over the period from October 4, 2007 through January 6, 2012, Saba cumulatively overstated the Company’s reported pre-tax earnings by approximately \$70 million and made material misstatements regarding its revenue recognition practices. As Saba announced on August 6, 2012 and November 5, 2012, management has determined that the Company is required to restate its financial statements for fiscal years 2008 through 2011, as well as the first two quarters of fiscal 2012. Although Saba has not yet filed its restatement, the Company expects that the restatement will change the time period during which the affected revenues are recognized, generally shifting the timing of such revenues to later periods.

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<sup>1</sup> The findings herein are made pursuant to Respondents’ Offers of Settlement and are not binding on any other person or entity in this or any other proceeding.

4. In addition to the misconduct described herein and the professional services organization's circumvention of the internal controls that did exist, the time-reporting misconduct at Saba went uncorrected and undetected for so long because Saba failed to devise and maintain adequate internal accounting controls over its professional services business and ICG. Saba announced on January 18, 2013 that management had determined there were material weaknesses in its internal control over financial reporting with respect to its accounting and time-reporting practices over the period of the fraud.

5. To date, Saba has not filed any required periodic reports since January 6, 2012.

### **Respondents**

6. **Saba Software, Inc.** ("Saba" or "the Company") is a Delaware corporation headquartered in Redwood Shores, California. The software company provides cloud-based enterprise learning, talent management and social networking tools to businesses and large organizations. At all relevant times, Saba's common stock has been registered pursuant to Section 12 of the Exchange Act. From its IPO in April 2000 until July 31, 2006, its common stock was registered pursuant to Section 12(g). Thereafter, until June 2013, it was registered pursuant to Section 12(b). It traded on the Nasdaq Global Market until it was suspended on April 9, 2013, and then it was delisted effective June 17, 2013 for failure to remain compliant with its SEC reporting obligations. Upon its delisting and deregistration from Section 12(b), it reverted to its previous Section 12(g) registration. Its common stock is currently registered pursuant to Section 12(g) and traded on the OTC Markets. Saba has not filed any periodic reports since January 6, 2012, when it filed its Form 10-Q for the quarter ended November 30, 2011.

7. **Patrick Farrell**, age 55, was Saba's Vice President of Consulting, North America Service Operations, from June 2006 to June 2011, when he became interim Vice President of Global Services. In January 2012, Farrell resumed his responsibilities as Vice President of Consulting, North America until he left Saba in July 2012.

8. **Sajeev Menon**, age 46, was Regional Vice President of Consulting, Western Region, North America from September 2009 until June 2011. He served as Vice President of Consulting, North America from June 2011 until January 2012, when he resumed his Regional Vice President, Western Region position until he left Saba in July 2012.

### **Facts**

#### **A. Saba's Falsification of Time Records**

9. Saba provides professional services solutions in conjunction with its product offerings sold to customers. These professional services are often sold simultaneously with the software as part of a multiple-element arrangement. Saba's professional services historically has accounted for about one third of its approximately \$120 million in yearly revenues. Professional services have been delivered to customers worldwide by (1) customer-facing field consultants in

North America and Europe (“Field Consultants”) and (2) off-shore technical development services provided to the Field Consultants by the Company’s India Consulting Group (“ICG Consultants”). ICG is an organization within Saba’s Indian subsidiary designed to help the Company deliver professional services to its customers at a lower cost than comparable consultants in North America and Europe. By 2011, ICG employed 50-60 consultants who generated approximately 14,000 hours of billable work per quarter, which constituted about 17% of consulting revenue and 6% of total revenue per quarter.

10. Both Field Consultants and ICG Consultants were required to record time worked on customer projects in a timesheet database. Hours input into the system by Field or ICG Consultants were approved on a weekly basis by project managers in North America and Europe, and revenue for the professional services organization was then measured based on the approved number of hours in the timesheet database.

11. Saba disclosed in its public filings that it recognized revenue for both “time and materials” and “fixed fee” contracts as the services were performed. This revenue recognition treatment was consistent with GAAP only if Saba could demonstrate that (1) its customers have historically paid a consistent rate for its services (measured by Vendor Specific Objective Evidence or “VSOE”) and (2) it could accurately estimate how many hours it took to complete projects (“ability to estimate”). Therefore, Saba’s finance personnel depended on accurate time records to ensure that Saba recognized revenue in accordance with GAAP.

12. From at least 2008 through the second quarter of Saba’s fiscal 2012, Saba professional services employees and managers engaged in two time-keeping practices that led to its improper revenue recognition. First, there were multiple incidents of ICG Consultants recording hours and billing customers for the performance of professional services in advance of performing those services in order to accelerate revenue recognition and achieve the managers’ quarterly revenue targets (“pre-booking”). Second, ICG and Field Consultants regularly failed to report professional services time worked in order to conceal budget overruns from management and finance, instead recording that time to non-billable project codes or not at all (“under-booking”).

13. These improper time-keeping practices precluded the time records from serving as reliable evidence under GAAP to recognize revenue in the manner that Saba did. As such, Saba management has concluded that Saba cannot demonstrate VSOE for the period from 2008 through the second quarter of fiscal 2012. Over that period, therefore, Saba was required to recognize professional services revenues on a completed contract basis, which would have required it to defer substantially all of its professional services revenue and much of its license revenue (where software licenses were bundled with professional services) until the contract was completed. Accordingly, virtually all of Saba’s professional services revenue was misstated over the relevant time period.

**B. Farrell's and Menon's Knowledge of, and Participation In, the False Time Reporting Practices**

14. Farrell served as Vice President of Consulting, North America Service Operations from June 2006 to June 2011, when Menon assumed his position and he became Vice President of Global Services. From September 2009 through June 2011, Menon served as Regional Vice President of Consulting, Western Region, North America. From June 2011 until January 2012, Menon served as Vice President of Consulting, North America. In January 2012, Menon resumed his Regional Vice President, Western Region position. In their respective roles, both individuals were charged with ensuring that the professional services organization met the financial targets set by Saba's Chief Executive Officer, Bobby Yazdani, and other senior management.

15. Although the practices of pre-booking and under-booking were directed by and known to numerous individuals in the professional services organization and ICG, Farrell and Menon were the two most senior individuals who directed or approved these improper time-keeping practices and understood that they would impact Saba's reported professional services revenue and violate Company's policies regarding financial reporting, including Saba's Revenue Recognition Policy and Code of Business Conduct.

16. Farrell was told that Field Consultants had requested or planned to request that ICG Consultants pre-book hours in order to achieve their quarterly revenue targets. In other cases, where Field and ICG Consultants overran budgets provided to customers and the finance department, Farrell directed the Consultants to "eat" the hours or back them out of the timesheet database. Despite being told by the finance department that the Company's accountants and auditors needed to understand exactly how many hours were being worked and when (regardless of whether or not they were billed to the customer) in order to ensure that revenue was not being recognized too quickly, Farrell failed to advise the finance department of these practices or take any other remedial measures to ensure that there were no misstatements in Saba's reported professional services revenue as a result of pre-booking or under-booking.

17. In multiple instances, Menon directed consultants reporting to him to book time to the timesheet database at quarter-end, even though those hours would not be worked until the following quarter. On numerous occasions, he also advised direct reports to fail to reflect in the time-keeping system non-billable hours that had been worked or was made aware of this prevalent practice by those reporting to him. Although Menon was advised by the finance department on multiple occasions that non-billable hours needed to be visible to those responsible for preparing Saba's financial statements, he never told finance, the auditors or anyone outside the professional services organization about the improper time-keeping practices that he directed and knew about.

18. Farrell and Menon knew, or were reckless in not knowing, that Field and ICG Consultants were not accurately reporting their time. They also knew, or were reckless in not knowing, that improper time-reporting would affect the way in which Saba recognized revenue. Both Farrell and Menon signed several certifications during the relevant period stating that they read and understood the Company's Code of Business Conduct and Revenue Recognition Policy, both of which prohibited the improper time-reporting practices.

19. During their periods of employment with Saba, Farrell and Menon each received bonuses based on achievement of certain revenue and margin targets that they could not have achieved absent the false time-reporting practices described above.

### **C. Scope and Impact of the Fraud**

20. Saba's professional services revenues, gross margins and income were materially overstated in its periodic filings from October 4, 2007 through January 6, 2012 as a result of the time-reporting misconduct described above. Those false financial results were also reported in Saba's registration statements filed on Forms S-8 on December 18, 2009, October 6, 2011 and January 6, 2012, and Saba raised money through those offerings.

21. The practices of pre-booking and under-booking, and the inaccuracy in Saba's time records revealed by these practices, have led Saba management to conclude that it can no longer rely on its calculation of VSOE of fair value for professional services. In this circumstance, ASC 985-605 (Certain Revenue Arrangements That Include Software Elements) and ASC 605-35 (Revenue Recognition) require that the Company defer to the point where services are complete, rather than recognize over the period where services are performed, standalone services revenue and revenue on software license and cloud services agreements that contain bundled professional services. Accordingly, Saba has determined and announced that it is required to restate its financial statements for the years 2008, 2009, 2010 and 2011, and the first two quarters of 2012, due to its material non-compliance with GAAP. Although Saba has not yet filed its required restatement, the cumulative impact of this alternative revenue recognition treatment is to defer recognition of approximately \$70 million over the period from 2008 through the second fiscal quarter of 2012.

22. The falsification of time records also concealed from Saba's finance team and auditors information that rendered false and misleading the Company's disclosures about its revenue recognition policies, including statements that it had established VSOE and recognized revenue as services were performed. Those disclosures were made in Forms 10-Q and 10-K filed from October 10, 2007 through January 6, 2012.

23. These misstatements are material. First, based on the Company's own estimates, the restated financials will reflect overstatements of gross revenue from 6% to 19% and gross profit from 10% to 41% for each of the fiscal years 2008 through 2011. Second, the effect of the inflated revenue was that Saba met analyst expectations for EPS in certain quarters and reversed at least one year (2010) from a net income to a net loss for the year.

### **D. Saba's Deficient Internal Controls Over ICG and Time Reporting**

24. Several Saba managers described an environment in the professional services organization in which senior management set aggressive revenue and margin targets. These pressures were not counter-balanced by effective internal accounting controls.

25. The Company's internal controls for ensuring the accuracy of professional services time-keeping were deficient. Although there was a control that required project managers to approve the time records of Field Consultants and ICG Consultants, this control failed in multiple ways. There was virtually no training on time entry for Consultants or their managers. Moreover, managers approving time regularly rejected time entries that resulted in overruns to their project budget.

26. Saba also failed to adequately address the financial reporting and internal control risks associated with ICG. Almost all Saba's professional services managers referred to ICG as a "black box," reflecting the fact that the consulting managers who approved time entry for revenue recognition and customer billing purposes had almost no visibility into who was performing what work and when. Despite this fact, there were insufficient controls in place to address the risk of inaccurate time reporting.

27. Saba admitted in its January 18, 2013 Form 8-K that it had determined there were material weaknesses in its internal control over financial reporting with respect to its accounting and time-reporting practices.

#### **E. Saba's Required Restatement**

28. On August 6, 2012, Saba announced that, following an internal accounting review, management had determined that its annual financial results for fiscal years 2011 and 2010, as well as the first and second quarters of fiscal year 2012, should be restated as a result of instances of improper time-recording that it had identified in the Company's professional services business. On November 5, 2012, Saba announced that management had determined that the Company's annual financial results for fiscal years 2009 and 2008 would also need to be restated.

29. Although Saba has announced on multiple occasions that it would complete its restatement "as soon as practicable," it has not yet filed its restatement.

#### **F. Saba's Filing Delinquencies**

30. Saba's last-filed periodic report containing financial statements was its quarterly report on Form 10-Q dated January 6, 2012.

31. On April 9, 2013, Saba's shares were suspended from trading on Nasdaq. As of June 30, 2014, Saba common stock traded on the OTC Markets with an average daily trading volume of 54,006 over the prior three months.

### **Violations**

32. Section 10(b) of the Exchange Act and Rule 10b-5 thereunder prohibit, in connection with the purchase or sale of securities, (1) employing any device, scheme or artifice to defraud; (2) making any material misrepresentation or omission; or (3) engaging in any transaction, practice, or course of business that operates as a fraud or deceit upon any person. As a result of the

conduct described above, Saba violated Section 10(b) of the Exchange Act and Rule 10b-5 thereunder, and Farrell and Menon each violated Section 10(b) of the Exchange Act and Rules 10b-5(a) and (c) thereunder.

33. Section 17(a)(1) of the Securities Act prohibits the use of a device, scheme or artifice to defraud in the offer or sales of securities. Sections 17(a)(2) and 17(a)(3) make it unlawful, in the offer or sale of securities, to (1) obtain money or property by means of any material misrepresentation or omission or (2) engage in any transaction, practice or course of business that operates as a fraud or deceit upon the purchaser. As a result of the conduct described above, Saba, Farrell and Menon each violated Sections 17(a)(1), 17(a)(2) and 17(a)(3) of the Securities Act.

34. Section 13(a) of the Exchange Act requires issuers of securities registered pursuant to Section 12 of the Exchange Act to file periodic and other reports with the Commission. With exceptions not applicable here, Rules 13a-1, 13a-11 and 13a-13 of the Exchange Act require each issuer to file annual, current, and quarterly reports respectively on the appropriate forms and within the period specific on the form. Rule 12b-20 further requires that the required reports must contain any material information necessary to make the required statements made in the reports not misleading. As a result of the conduct described above, Saba violated Section 13(a) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11 and 13a-13 thereunder, and Farrell and Menon caused violation of these provisions by Saba.

35. Section 13(b)(2)(A) of the Exchange Act requires issuers of securities registered pursuant to Section 12 of the Exchange Act to make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflect their transactions and dispositions of their assets. As a result of the conduct described above, Saba violated Section 13(b)(2)(A) of the Exchange Act, and Farrell and Menon caused violation of these provisions by Saba.

36. Section 13(b)(2)(B) of the Exchange Act requires issuers of securities registered pursuant to Section 12 of the Exchange Act to, among other things, devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles. As a result of the conduct described above, Saba violated Section 13(b)(2)(B) of the Exchange Act, and Farrell and Menon caused violation of these provisions by Saba.

37. Section 13(b)(5) of the Exchange Act prohibits any person from knowingly circumventing or knowingly failing to implement a system of internal accounting controls or knowingly falsifying books, records, or accounts described in Section 13(b)(2) of the Exchange Act. As a result of the conduct described above, Farrell and Menon each violated Section 13(b)(5) of the Exchange Act.

38. Rule 13b2-1 promulgated under the Exchange Act prohibits any person from directly or indirectly falsifying any books and records subject to Section 13(b)(2)(A) of the

Exchange Act. As a result of the conduct described above, Farrell and Menon each violated Exchange Act Rule 13b2-1.

### **Undertakings**

Respondent Saba has undertaken to:

39. By no later than 5:30 p.m. EST on November 17, 2014, file a comprehensive Form 10-K for the fiscal year ended May 31, 2014. That comprehensive annual report shall contain (i) restated financial results for Saba's 2010 and 2011 fiscal years (unaudited) as well as the first two quarters of its 2012 fiscal year and (ii) an opinion from Saba's independent registered public accounting firm as to the consolidated balance sheets as of May 31, 2013 and 2014, and the consolidated statement of operations, stockholders' equity and cash flows for each of the years in the three year period ended May 31, 2014; and (iii) an opinion from Saba's independent registered public accounting firm on internal controls over financial reporting as of May 31, 2014 (the "2014 Annual Report"). The 2014 Annual Report shall otherwise materially comply with the technical and substantive requirements for EDGAR documents, and be in accordance with the requirements of Section 13(a) of the Exchange Act and rules and regulations thereunder. If Saba files its 2014 Annual Report by no later than 5:30 p.m. EST on November 17, 2014, and the Division of Enforcement does not notify Saba of a deficiency pursuant to paragraph 42(1), *infra*, the Division of Enforcement shall notify the Office of the Secretary of the Commission of Saba's compliance with the undertaking set forth in this paragraph and the proceeding will be terminated in accordance with the Order Instituting Administrative Proceedings Pursuant to Section 12(j) of the Securities Exchange Act of 1934, Making Findings, Accepting Settlement, Implementing Settlement, and Staying Proceedings to Implement Settlement entered against Saba on September 24, 2014.

40. Make an additional payment of \$100,000 to the Securities and Exchange Commission on or before December 4, 2014, if Saba does not comply with the undertaking contained in paragraph 39, *supra*, in lieu of the Commission seeking a civil monetary penalty from Saba for violation of this Order pursuant to Section 21(d)(3) of the Exchange Act.

If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:

- (1) Respondent 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
- (2) Respondent 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 Saba as a Respondent 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 Erin Schneider, Division of Enforcement, Securities and Exchange Commission, 44 Montgomery Street, Suite 2800, San Francisco, California 94104.

41. If Saba fails to comply with the undertaking set forth in paragraph 39, *supra*, Saba has undertaken to file its 2014 Annual Report (as defined in paragraph 39, *supra*) by no later than 5:30 p.m. EST on February 16, 2015. The 2014 Annual Report shall otherwise materially comply with the technical and substantive requirements for EDGAR documents, and be in accordance with the requirements of Section 13(a) of the Exchange Act and rules and regulations thereunder. If Saba files its 2014 Annual Report by no later than 5:30 p.m. EST on February 16, 2015, and the Division of Enforcement does not notify Saba of a deficiency pursuant to paragraph 42(1), *infra*, the Division of Enforcement shall notify the Office of the Secretary of the Commission of Saba's compliance with the undertaking set forth in this paragraph and the proceeding will be terminated in accordance with the Order Instituting Administrative Proceedings Pursuant to Section 12(j) of the Securities Exchange Act of 1934, Making Findings, Accepting Settlement, Implementing Settlement, and Staying Proceedings to Implement Settlement entered against Saba on September 24, 2014.

42. If Saba files its 2014 Annual Report by either of the dates set forth in paragraphs 39 and 41, *supra*, but the Division of Enforcement concludes, in consultation with the Division of Corporation Finance and any other appropriate staff, that Saba's filing, or any filing resubmitted pursuant to paragraph 42(2), *infra* fails to comply with the undertakings set forth in paragraphs 39 or 41, *supra*:

- (1) The Division of Enforcement will advise Saba within ten business days of Saba's filing of the nature of the deficiency or deficiencies in the filing;
- (2) Saba will have until March 9, 2015 to remedy any identified deficiency or deficiencies in the filing and to resubmit it;
- (3) If Saba fails to resubmit such filing by March 9, 2015, or if Saba resubmits such filings pursuant to paragraph 42(2), *supra*, and the Division of Enforcement concludes after March 9, 2015, in consultation with the Division of Corporation Finance and any other appropriate staff, that any such filing fails to remedy the identified deficiency or deficiencies, the Division of Enforcement shall notify the Office of the Secretary of the Commission and Saba of its conclusion prior to March 16, 2015, and the registration of Saba's securities registered pursuant to Exchange Act Section 12 will be revoked pursuant to Exchange Act Section 12(j) in accordance with the Order Instituting Administrative Proceedings

Pursuant to Section 12(j) of the Securities Exchange Act of 1934, Making Findings, Accepting Settlement, Implementing Settlement and Staying Proceedings to Implement Settlement entered against Saba on September 24, 2014; and

- (4) If Saba resubmits its filing pursuant to paragraph 42(2), *supra*, and the Division of Enforcement has not, in accordance with paragraph 42(1), *supra*, advised Saba that the deficiency or deficiencies remain uncorrected, the Division of Enforcement shall notify the Office of the Secretary of the Commission of its conclusion prior to March 16, 2015, and the proceeding will be terminated in accordance with the Order Instituting Administrative Proceedings Pursuant to Section 12(j) of the Securities Exchange Act of 1934, Making Findings, Accepting Settlement, Implementing Settlement and Staying Proceedings to Implement Settlement entered against Saba on September 24, 2014.

#### IV.

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

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondents Saba, Farrell and Menon cease and desist from committing or causing any violations and any future violations of Sections 17(a)(1), (a)(2) and (a)(3) of the Securities Act.

B. Pursuant to Section 21C of the Exchange Act, Respondent Saba cease and desist from committing or causing any violations and any future violations of Sections 10(b), 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act and Rules 10b-5, 12b-20, 13a-1, 13a-11 and 13a-13 thereunder, and Respondents Farrell and Menon cease and desist from committing or causing any violations and any future violations of Sections 10(b), 13(a), 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5) of the Exchange Act and Rules 10b-5(a) and (c), 12b-20, 13a-1, 13a-11, 13a-13 and 13b2-1 thereunder.

C. Respondent Saba shall pay a civil money penalty in the amount of \$1,750,000 to the Securities and Exchange Commission on the following schedule: \$750,000 within 30 days of the entry of this Order; \$500,000 within 180 days of the entry of this Order; and \$500,000 within 360 days of the entry of this Order. If any payment is not made by the date the payment is required by this Order, the entire outstanding balance of civil penalties, plus any additional interest accrued pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. Payment must be made in one of the following ways:

- (1) Respondent 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

- (2) Respondent 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 Saba as a Respondent 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 Erin Schneider, Division of Enforcement, Securities and Exchange Commission, 44 Montgomery Street, Suite 2800, San Francisco, California 94104.

D. Respondent Farrell shall, within 30 days of the entry of this Order, pay disgorgement of \$31,832, a civil penalty of \$50,000, and prejudgment interest of \$3,185 to the Securities and Exchange Commission. If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600 and 31 U.S.C. § 3717. Payment must be made in one of the following ways:

- (1) Respondent 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
- (2) Respondent 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 Farrell as a Respondent 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 Erin Schneider, Division of Enforcement, Securities and Exchange Commission, 44 Montgomery Street, Suite 2800, San Francisco, California 94104.

E. Respondent Menon shall pay disgorgement of \$17,875, prejudgment interest of \$1,746 and civil penalties of \$50,000 to the Securities and Exchange Commission on the following schedule: \$23,207 within 30 days of the entry of this Order; \$23,207 within 180 days of the entry of this Order; and \$23,207 within 360 days of the entry of this Order. If any payment is not made

by the date the payment is required by this Order, the entire outstanding balance of disgorgement, prejudgment interest, and civil penalties, plus any additional interest accrued pursuant to SEC Rule of Practice 600 or pursuant to 31 U.S.C. 3717, shall be due and payable immediately, without further application. Payment must be made in one of the following ways:

- (3) Respondent 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
- (4) Respondent 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 Menon as a Respondent 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 Erin Schneider, Division of Enforcement, Securities and Exchange Commission, 44 Montgomery Street, Suite 2800, San Francisco, California 94104.

F. Saba shall comply with its undertakings contained in paragraphs 39, 41 and 42, *supra*.

By the Commission.

Brent J. Fields  
Secretary