

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 76511 / November 24, 2015

ADMINISTRATIVE PROCEEDING
File No. 3-16389

In the Matter of

VCAP Securities, LLC, and
Brett Thomas Graham,

Respondent.

NOTICE OF PROPOSED PLAN OF
DISTRIBUTION AND
OPPORTUNITY FOR COMMENT

Notice is hereby given, pursuant to Rule 1103 of the Securities and Exchange Commission's ("Commission") Rules on Fair Fund and Disgorgement Plans, 17 C.F.R. § 201.1103, that the Division of Enforcement has submitted to the Commission a proposed plan ("Distribution Plan") for the distribution of monies paid by VCAP Securities, LLC ("VCAP") and Brett Thomas Graham ("Graham") (collectively, "Respondents") in the above-captioned matter.

On February 19, 2015, Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b)(4), 15(b)(6), and 21C of the Securities Exchange Act of 1934, Section 203(f) 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") against the Respondents (Exchange Act Rel. No. 74305 (February 19, 2015)). The Commission determined that in 2012, VCAP and Graham, the CEO of VCAP, perpetrated a scheme to acquire certain securities from auctions of collateralized debt obligations ("CDOs") that VCAP was conducting as a liquidation agent. During the course of this conduct, Graham and VCAP made material misrepresentations to the trustees of the various CDOs that VCAP and its affiliates would not bid in the auctions and would not misuse confidential information and/or bidding information afforded to VCAP as the liquidation agent. In actuality, Graham improperly used the confidential bidding information to benefit funds managed by Vertical Capital, LLC ("Vertical"), VCAP's affiliated investment adviser. Specifically, Graham arranged for a separate broker-dealer to bid on bonds Graham wanted for Vertical managed funds, at prices slightly higher than the highest bid from other participants. After winning the bonds in the auction, the broker-dealer would immediately sell the bonds to the Vertical funds at a small markup. In addition, in one auction, Graham improperly used confidential bidding information to help a non-affiliated bidder obtain a bond for half of what the bidder was willing to pay. Therefore, the trustee received half as much in proceeds for that bond as it would have otherwise.

As a result of this conduct, the Commission found that the Respondents willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The Commission ordered VCAP to pay disgorgement of \$1,064,555 and prejudgment interest of \$85,044, and Graham to pay disgorgement of \$118,284, prejudgment interest of \$9,449, and a civil money penalty of \$200,000. In addition, the Commission created a Fair Fund for the monies paid by Respondents pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended.

OPPORTUNITY FOR COMMENT

Pursuant to this Notice, all interested persons are advised that they may obtain a copy of the Distribution Plan from the Commission's public website at <http://www.sec.gov/litigation/fairfundlist.htm>. Interested persons may also obtain a written copy of the Distribution Plan by submitting a written request to Nancy Chase Burton, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5631. All persons who desire to comment on the Distribution Plan may submit their comments, in writing, no later than thirty (30) days from the date of this Notice:

1. to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090;
2. by using the Commission's Internet comment form (<http://www.sec.gov/litigation/admin.shtml>); or
3. by sending an email to rule-comments@sec.gov.

Comments submitted should include "Administrative Proceeding File No. 3-16389" in the subject line. Comments received will be publicly available. Persons should submit only information that they wish to make publicly available.

THE DISTRIBUTION PLAN

The Fair Fund will be comprised of the disgorgement, prejudgment interest, and civil penalties paid by the Respondents, plus any accumulated interest, less any federal, state, or local taxes and fees and expenses. The Distribution Plan provides for distribution of the Fair Fund to certain harmed parties previously identified by Commission staff.

For the Commission, by its Secretary, pursuant to delegated authority.

Brent J. Fields
Secretary