

III.

On the basis of this Order and the Offer submitted by Rogge, the Commission finds that:

A. Thomas M. Rogge ("Rogge") was associated with a registered investment adviser (the "Adviser") as a vice president and portfolio manager for a registered investment company (the "Fund") from January 1991 until September 2, 1993.

Background

B. During the period from September 1992 through August 1993, Rogge recommended and, at the direction of his supervisors, caused the Fund to purchase Planned Amortization Class Interest Only securities (PAC IOs) for its portfolio. As of August 4, 1993, the Fund held seven PAC IO positions in its portfolio constituting 21.4 percent of the fund's total net assets.^{1/}

C. According to its prospectus and Statement of Additional Information ("SAI"), the Fund was required to determine the market value of its PAC IO holdings by obtaining daily bid side prices for the PAC IOs from broker-dealers. These prices were then used to calculate the Fund's daily net asset value. Rogge's responsibilities as the Fund's portfolio manager included oversight of the daily securities pricing process for the fund, including the pricing of the PAC IOs.

Falsification of Books and Records and Aiding and Abetting the Fund's Calculation of a False Net Asset Value

D. On or about March 31, 1993, two registered broker-dealers ceased providing daily prices to the Fund for four PAC IOs in the Fund's portfolio. Instead of obtaining bid side prices from other broker-dealers as required by the Fund's prospectus and SAI, Rogge began pricing the four PAC IOs himself on a daily basis.^{2/} During the period of time that Rogge was pricing each of these PAC IOs, he falsified the Fund's daily pricing sheets by indicating that the prices had been obtained from the two broker-dealers

^{1/} The following seven PAC IOs were held in the Fund's portfolio as of August 4, 1993: FH 1393 K, FN 92-187 JA, FN 92-193 JB, FN 93-15 L, FN 92-23 PL, FN 92-156 G, and FH 1385 K.

^{2/} Specifically, Rogge priced the FN 92-15 L PAC IO from at least March 31, 1993 until August 26, 1993, the 92-187 JA PAC IO from at least March 31, 1993 until August 4, 1993, and the FN 92-193 JB and FN 92-156 G PAC IOs from at least March 31, 1993 until August 17, 1993.

rather than indicating that he was the source of the prices. Moreover, from August 4 through August 26, 1993, Rogge provided the Fund with prices for the 93-15 L PAC IO that were materially higher than the bid side of the market and recorded or caused these inflated prices to be recorded on the Fund's daily pricing sheets.

E. At various times during the period from August 4 to August 26, 1993, Rogge supplied the Fund's registered representative at a broker-dealer with pricing assumptions (i.e. spreads to U.S. Treasury securities and mortgage prepayment speeds) for between one and three of the PAC IOs held in the Fund's portfolio.^{3/} The registered representative utilized the assumptions Rogge provided, rather than consulting with the firm's trading desk to price the PAC IOs.

F. Similarly, during the period from August 4 to August 10, 1993, Rogge supplied the Fund's registered representative at another broker-dealer with pricing assumptions for two PAC IOs in the Fund's portfolio.^{4/} The registered representative utilized the assumptions Rogge provided, rather than consulting with the firm's trading desk to price the PAC IOs. Beginning on August 10, 1993, and continuing until August 26, 1993, Rogge requested that the registered representative supply him with offered, rather than bid side daily prices for these two PAC IOs.

G. As a result of Rogge's actions, the prices obtained from the two broker-dealers, as calculated based on assumptions which he provided or offered side market prices, were materially higher than the actual market bid price for these securities. By obtaining offered, rather than bid side daily prices, Rogge violated the Fund's policies and procedures, as set forth in its prospectus and SAI, which required the PAC IOs to be priced on the bid side of the market. Rogge caused the inflated prices for these five PAC IOs to be recorded on the Fund's daily pricing sheets. These false prices, as obtained by Rogge, in addition to the false prices provided by Rogge for the FN 93-15 L PAC IO, were then utilized for calculating a materially false and inflated daily net asset value for the Fund.

H. By causing the Fund to use inflated prices for the PAC IOs, securities for which market quotations were readily available, Rogge caused the Fund to base its net asset value on inflated values rather than the current market value of the fund's securities as

^{3/} Rogge provided pricing assumptions for the FH 1385 K PAC IO during the period from August 4 to August 26, 1993. Similarly, during the period from August 17 to August 26, 1993, Rogge supplied the registered representative with pricing assumptions for the FN 92-193 JB and FN 92-156 G PAC IOs held in the Fund's portfolio.

^{4/} Specifically, the FN 93-23 PL and FN 92-187 JA PAC IOs.

required by Section 2(a)(41) of the Investment Company Act and Rule 2a-4 thereunder. As a result of the aforementioned conduct, Rogge caused the Fund to calculate an incorrect daily net asset value and to improperly maintain the books and records in support of its financial statements from August 4 through August 26, 1993. Accordingly, Rogge willfully aided and abetted the Fund's violations of Section 31(a) of the Investment Company Act and Rules 22c-1 and 31a-1 thereunder, and Sections 206(1) and 206(2) of the Advisers Act.

I. In addition, at various times during the period from March 31 to August 26, 1993, Rogge caused the Fund's records to indicate that prices for four PAC IOs had been obtained from broker-dealers although Rogge was providing these prices himself. Rogge therefore willfully violated Section 34(b) of the Investment Company Act by making untrue statements of a material fact in records or documents required to be kept pursuant to Section 31(a) of the Investment Company Act.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions which are set forth in the Offer submitted by Rogge.

Accordingly, IT IS HEREBY ORDERED THAT:

A. Rogge cease and desist from committing or causing any violation, or committing or causing any future violation, of Sections 31(a) and 34(b) of the Investment Company Act and Rules 22c-1 and 31a-1 thereunder, and Sections 206(1) and 206(2) of the Advisers Act;

B. Rogge pay a civil penalty, in the amount of \$11,000, within five days of the issuance of this Order to the United States Treasury, pursuant to Section 203(i) of the Advisers Act and Section 9(d) of the Investment Company Act. Such payment shall be: (A) made by United States postal money order, certified check, bank cashier's check, or bank money order; (B) made payable to the Securities and Exchange Commission; (C) hand-delivered to the Comptroller, Securities and Exchange Commission, 450 5th Street, N.W., Washington, D.C. 20549; and (D) submitted under cover letter which identifies Rogge as Respondent in these proceedings, the file number of these proceedings, and the Commission's case number (FW-1978), a copy of which cover letter and money order or check shall be sent to T. Christopher Browne, District Administrator, Fort Worth District Office, Securities and Exchange Commission, 801 Cherry Street, 19th Floor, Fort Worth, Texas 76102;

C. Rogge be, and hereby is, barred from association with any broker, dealer, municipal securities dealer, investment company, or investment adviser.

By the Commission.

Jonathan G. Katz
Secretary