UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

INVESTMENT COMPANY ACT OF 1940
Release No. 30557 / June 13, 2013

ADMINISTRATIVE PROCEEDING
File No. 3-15127

In the Matter of J. Kenneth Alderman, CPA; Jack R. Blair; Albert C. Johnson, CPA; James Stillman R. McFadden; Allen B. Morgan Jr.; W. Randall Pittman, CPA; Mary S. Stone, CPA; and Archie W. Willis III, Respondents.	Order Making Findings and Imposing a Cease and Desist Order Pursuant to Section 9(f) of the Investment Company Act of 1940

I.

On December 10, 2012, the Commission instituted public administrative and cease-and-desist proceedings pursuant to Sections 9(b) and 9(f) of the Investment Company Act of 1940 ("Investment Company Act") against J. Kenneth Alderman, CPA ("Alderman"); Jack R. Blair ("Blair"); Albert C. Johnson, CPA ("Johnson"); James Stillman R. McFadden ("McFadden"); Allen B. Morgan Jr. ("Morgan"); W. Randall Pittman, CPA ("Pittman"); Mary S. Stone, CPA ("Stone"); and Archie W. Willis III ("Willis"), (collectively "Respondents" or "the Directors"). Respondents have submitted Offers of Settlement which the Commission has determined to accept.

II.

Solely for the purpose of settling 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

Making Findings and Imposing a Cease-and-Desist Order Pursuant to Section 9(f) of the Investment Company Act of 1940 ("Order"), as set forth below.

III.

On the basis of this Order and Respondents' Offers, the Commission finds[1] that:

SUMMARY

1. This matter concerns the eight directors (collectively "the Directors") who all served on the boards of five registered investment companies ("The Funds"). Between at least January 2007 and August 2007 (the "Relevant Period"), significant portions of the Funds' portfolios contained below-investment grade debt securities for which market quotations were not readily available. Some of these securities were backed by subprime mortgages. Under the Investment Company Act, those securities were required to be valued at fair value as determined in good faith by the Directors. In discussing fund directors' statutory fair valuation obligations, the Commission has stated that directors must "determine the method of arriving at the fair value of each such security. To the extent considered necessary, the board may appoint persons to assist them in the determination of such value, and to make the actual calculations pursuant to the board's direction. The board must also, consistent with this responsibility, continuously review the appropriateness of the method used in valuing each issue of security in the company's portfolio."[2] The Directors did not specify a fair valuation methodology pursuant to which the securities were to be fair valued. Nor did they continuously review how each issue of security in the Funds' portfolios were being valued. The Directors delegated their responsibility to determine fair value to the Valuation Committee of the investment adviser to the Funds, but did not provide any meaningful substantive guidance on how those determinations should be made. In addition, they did not learn how fair values were actually being determined. They received only limited information on the factors considered in making fair value determinations and almost no information explaining why fair values were assigned to specific portfolio securities. These failures were particularly significant given that fair valued securities made up the majority—and in most cases upwards of 60%—of the Funds' net asset values ("NAVs") during the Relevant Period.

RESPONDENTS

2. J. Kenneth Alderman, 60 years of age and a resident of Birmingham, Alabama, was an interested director of the Funds beginning in 2003 and during the entire Relevant Period. He is a Certified Public Accountant ("CPA"), licensed in Florida and Alabama, and is a Chartered Financial Analyst.

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[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.

[2] Accounting Series Release No. 118 (Dec. 23, 1970) ("ASR 118").

3. Jack R. Blair, 70 years of age and a resident of Germantown, Tennessee, was an independent director and a member of the Audit Committee of the Funds beginning in 2005 and during the entire Relevant Period. Blair has never held any professional licenses.

4. Albert C. Johnson, 68 years of age and a resident of Hoover, Alabama, was an independent director and a member of the Audit Committee of the Funds beginning in 2005 and during the entire Relevant Period. He was also designated as an Audit Committee Financial Expert. Johnson is a CPA currently licensed in Alabama and Texas.

5. James Stillman R. McFadden, 55 years of age and a resident of Germantown, Tennessee, was an independent director and a member of the Audit Committee of the Funds beginning in 2002 and during the entire Relevant Period. He was also designated as an Audit Committee Financial Expert. He has never held any professional licenses.

6. Allen B. Morgan Jr., 70 years of age and a resident of Memphis, Tennessee, was an interested director of the Funds beginning in 2002 and during the entire Relevant Period, and was Chairman and CEO of Morgan Keegan until he retired in December 2003.

7. W. Randall Pittman, 59 years of age and a resident of Birmingham, Alabama, was an independent director and a member of the Audit Committee of the Funds beginning in 2003 and during the entire Relevant Period. He was also designated as an Audit Committee Financial Expert. Pittman is a CPA licensed in Alabama.

8. Mary S. Stone, 62 years of age and a resident of Birmingham, Alabama, was an independent director and a member of the Audit Committee of the Funds beginning in 2003 and Chairman of the Audit Committee during the entire Relevant Period. She was also designated as an Audit Committee Financial Expert. Stone is a CPA licensed in Florida.

9. Archie W. Willis III, 54 years of age and a resident of Memphis, Tennessee, was an independent director and a member of the Audit Committee of the Funds beginning in 2002 and during the entire Relevant Period. Willis has never held any professional licenses.

OTHER RELEVANT ENTITIES

10. Morgan Asset Management, Inc. (‘Morgan Asset”) is an investment adviser registered with the Commission, and Morgan Keegan & Company, Inc. (“Morgan Keegan”) is a broker-dealer and an investment adviser registered with the Commission. Morgan Asset was headquartered in Birmingham, Alabama while Morgan Keegan was headquartered in Memphis, Tennessee. During the Relevant Period, Morgan Asset served as the investment adviser for the Funds and Morgan Keegan provided accounting services to the Funds through its Fund Accounting group (“Fund Accounting”).

OVERVIEW OF THE FUNDS

11. The Funds consisted of five registered investment companies: (i) RMK High Income Fund, Inc.; (ii) RMK Multi-Sector High Income Fund, Inc.; (iii) RMK Strategic Income Fund, Inc.; (iv) RMK Advantage Income Fund, Inc.; and (v) Morgan Keegan Select Fund, Inc. ("Select Fund"). The Select Fund was an open-end company with a fiscal year end of June 30 that contained three open-end series—the Select High Income portfolio, the Select Intermediate Bond portfolio, and the Select Short Term Bond portfolio. The other funds were closed-end funds with a fiscal year end of March 31. The closed-end funds calculated and published daily NAVs, although these were not the basis of transactions in their shares.

12. During the Relevant Period, each Fund had a board of directors that consisted of two interested directors and six independent directors. Respondents Alderman and Morgan were the interested directors. Blair, Johnson, McFadden, Pittman, Stone and Willis were the independent directors. All of the independent directors sat on each Fund's Audit Committee.

13. As of March 31, 2007, the Funds held securities with a combined net asset value of approximately $3.85 billion. The Funds owned many of the same securities and invested the majority of their total assets in complex securities known as structured products that included collateralized debt obligations, collateralized mortgage obligations, collateralized loan obligations, home-equity loan-backed securities, various types of asset-backed securities, and certificate-backed obligations.

14. The Funds' assets were heavily invested in below-investment grade debt securities, which carried inherent risks such as more frequent and pronounced changes in the perceived creditworthiness of issuers, greater price volatility, reduced liquidity, and the presence of fewer dealers in the market for such securities. Another, particularly relevant characteristic of the Funds' holdings was their significant concentrations in mortgage-backed securities.

15. A significant number of the structured products held by the Funds were subordinated tranches of various securitizations, for which market quotations were not readily available during the Relevant Period. As a result, a large percentage of the Funds' portfolios had to be fair valued as determined in good faith by the Funds' directors in accordance with the requirements of Section 2(a)(41)(B) of the Investment Company Act. As of March 31, 2007, more than 60% of the NAV of each of the four closed-end funds was required to be fair valued. As of June 30, 2007, more than 50% of the NAV of each of the two largest open-end series was required to be fair valued.

RESPONDENTS DELEGATE THEIR VALUATION RESPONSIBILITIES WITH MINIMAL GUIDANCE

16. In the Funds' Policy and Procedure Manual (the "Manual"), the Directors delegated to Morgan Asset "the responsibility for carrying out certain functions relating to the valuation of portfolio securities . . . in connection with calculating the NAV per share of the

Funds." The Manual also stated that "portfolio securities for which market quotations are readily available are valued at current market value [while] . . . . [a]ll other portfolio securities will be valued at 'fair value' as determined in good faith by [Morgan Asset] in accordance with the Funds' Valuation Procedures."

17. The Funds' Valuation Procedures within the Manual stated more specifically that "[w]hen price quotations for certain securities are not readily available from the sources noted above [i.e., sources of market prices] or if the available quotations are not believed to be reflective of market value, those securities shall be valued at 'fair value' *as determined in good faith by [Morgan Asset's] Valuation Committee*." [Emphasis added] The Valuation Procedures then listed various general and specific factors, which the Valuation Committee was supposed to consider when making fair value determinations. The "General Factors" listed were (i) the fundamental analytical data relating to the investment; (ii) the nature and duration of restrictions on disposition of the securities; and (iii) an evaluation of the forces which influence the market in which these securities are purchased and sold." The "Specific Factors" listed were: (i) type of security; (ii) financial statements of the issuer; (iii) cost at date of purchase (generally used for initial valuation); (iv) size of the Fund's holding; for restricted securities, (v) any discount from market value of restricted securities of the same class at the time of purchase; (vi) the existence of a shelf registration for restricted securities; (vii) information as to any transactions or offers with respect to the security; (viii) special reports prepared by analysts; (ix) the existence of merger proposals, tender offers or similar events affecting the security; and (x) the price and extent of public trading in similar securities of the issuer or comparable companies."

18. Other than listing these factors, which were copied nearly verbatim from ASR 118, the Valuation Procedures provided no meaningful methodology or other specific direction on *how* to make fair value determinations for specific portfolio assets or classes of assets. For example, there was no guidance in the Valuation Procedures on how the listed factors should be interpreted, on whether some of the factors should be weighed more heavily or less heavily than others, or on what specific information qualified as "fundamental analytical data relating to the investments". Additionally, the Valuation Procedures did not specify what valuation methodology should be employed for each type of security or, in the absence of a specified methodology, how to evaluate whether a particular methodology was appropriate or inappropriate. Also, the Valuation Procedures did not include any mechanism for identifying and reviewing fair-valued securities whose prices remained unchanged for weeks, months and even entire quarters.

19. The Directors did not provide any other guidance—either written or oral—on how to determine fair value beyond what was stated in the Valuation Procedures.

20. The "Written Reports of Fair Value Determinations" subsection of the Valuation Procedures contained the only procedures regarding information required to be provided to the Directors. It stated that "[u]pon making a determination as to the fair value of a security, the Valuation Committee shall maintain a written report documenting the manner in which the fair

value of a security was determined and the accuracy of the valuation made based on the next reliable public price quotation for that security," and further required that the Valuation Committee create and provide to the Directors for review "[q]uarterly reports listing all securities held by the Fund that were fair valued during the quarter under review, along with explanatory notes for the fair values assigned to the securities." The procedures did not require the Directors to ratify any fair value determinations made by Morgan Asset, and they did not ratify any such determinations.

THE FUNDS' ACTUAL FAIR VALUATION PROCEDURES

21. The Valuation Committee, which consisted of Fund officers and Fund Accounting employees, and which did not include any Directors, was responsible according to the Funds' procedures for overseeing the fair valuation process. In practice, the task of assigning fair values on a daily basis was performed by Fund Accounting, a unit which consisted of Morgan Keegan employees.

22. In determining fair value, Fund Accounting did not use any reasonable analytical method to arrive at fair value. For example, neither Fund Accounting nor the Valuation Committee used a pricing model or made any meaningful effort to analyze future cash flows, or the present values thereof, that a particular bond in the portfolio would likely generate.

23. Under the actual fair valuation process, Fund Accounting typically set a security's initial fair value as its purchase price (its cost) and, thereafter, left that fair value unchanged unless a sale or a price confirmation indicated a more than 5% variance from the previously assigned fair value. In addition, the Portfolio Manager repeatedly contacted Fund Accounting, by email or other means, and provided price adjustments for particular securities. Without any explanation of his basis for such prices, Fund Accounting routinely accepted the prices provided by the Portfolio Manager. Neither the Directors nor Morgan Keegan or Morgan Asset ever provided guidelines by which Fund Accounting or the Valuation Committee should evaluate the reasonableness of such adjustments.

24. Shortly after each month end, Fund Accounting selected and sought price confirmations for a random sample of the Funds' securities that were required to be fair valued, except for March and June when, in connection with annual audits, confirmations were sought by the Funds' independent auditors for 100% of the fair valued securities. The price confirmations were essentially opinions on price from broker-dealers, rather than bids or firm quotes. The price confirmations generally contained disclaimers explicitly making clear that the dealer providing the price confirmation was not offering to buy the security at the stated price. In addition, the price confirmations generally related to month-end prices, but were obtained several weeks after the respective month-ends. Accordingly, they could not have sufficed as the primary valuation method, given the open-end Fund series' obligation to daily price the securities and the closed-end Funds daily publication of their NAVs.

25. The Valuation Procedures contained a section entitled "Price Override Procedures," which provided that the Adviser could "override prices provided by a pricing service or broker-dealer only when it had a reasonable basis to believe that the price . . . does not accurately reflect the fair value of the portfolio security." The section further provided that "the basis for overriding the price shall be documented and provided to the Valuation Committee for its review." Because the Valuation Committee and Fund Accounting interpreted this provision as applying only to broker-dealer quotes (i.e., actual offers to buy or sell), the Valuation Committee was not advised, and could not advise the Directors, as to the basis upon which Fund Accounting chose to ignore the price confirmations.

26. In the event a price confirmation indicated a more than 5% variance from the previously assigned fair value, Fund Accounting effectively allowed the Portfolio Manager to determine the fair value. The Portfolio Manager arbitrarily set values without a reasonable basis and did so in a way that postponed the degree of decline in the NAVs of the Funds which should have occurred during the Relevant Period.

27. Fund Accounting also engaged in smoothing prices (using preplanned daily reductions in value provided by the Portfolio Manager to gradually reduce, over days or weeks, a bond to its current proper valuation).

28. As a result of the foregoing practices, during the Relevant Period, the NAVs of the Funds were inaccurate at least from March 31, 2007 through August 9, 2007. Consequently, the prices at which the open-end series sold, redeemed, and repurchased their shares were also inaccurate.

29. During the Relevant Period, the Directors did not determine what methodology was actually used by Fund Accounting and the Valuation Committee to fair value particular securities or types of securities. The information and reports provided to Directors at their board meetings did not provide sufficient information for the Directors to understand what methodology was being used by Fund Accounting to fair value particular securities. For example, at each quarterly board meeting the Directors received a list of the Funds' portfolio securities that were required to be fair valued and the fair values assigned to each security at quarter end. However, the information provided did not identify the type of security, the basis for a particular assigned fair value, or whether that price had changed from prior quarters.

30. The Directors received at each quarterly board meeting three other documents relating to fair value determinations. The three documents were: (i) a "Report from the Joint Valuation Committee [of the Funds];" (ii) a "Fair Valuation Form" for each of the Funds; and (iii) "Security Sales" reports for each of the Funds.

31. The *Report from the Joint Valuation Committee* provided in connection with the quarterly board meetings in November 2006, January 2007 and May 2007, said: "The Valuation Committee met three times during the [preceding] calendar quarter[.] . . . The values of internally-priced securities were randomly confirmed with third parties and no material

exceptions were noted. The Valuation Committee feels that all securities are being fairly priced and there are no material misstatements." The report did not, however, state how fair values were determined, and gave no details on how fair valued securities, which it referred to as "internally-priced securities," were "randomly confirmed with third parties."

32. Although price confirmations played a significant role in the Funds' fair valuation process, the Directors never established any guidelines regarding the use of price confirmations, such as how frequently they should be requested for any particular type of security, or the selection of broker-dealers used to provide such price confirmations. Nor did the Directors require any review to identify those securities for which no price confirmation had been obtained for a particular length of time.

33. The "*Fair Valuation Form*" was received quarterly by the Directors for each of the Funds. That form contained, next to the words "Basis/Source/Method For Determining Price Used," the recurring phrase: "[i]nternal matrix based on actual dealer prices and/or Treasury spread relationships provided by dealers." There was no explanation of the "internal matrix" and no indication of what was meant by the terms "actual dealer prices" or "Treasury spread relationships provided by dealers." Contrary to the statements in the Fair Valuation Form, the internal matrix was only used to price a small percentage (for example, approximately 12% of the securities held by the four closed-end Funds) that were required to be fair valued as of March 31, 2007. The Directors were unaware as to how the matrix operated.

34. Meaningful "explanatory notes for the fair values assigned to the securities" were not presented, quarterly or otherwise, to the Directors, despite the fact that the Valuation Procedures required that the Directors receive them on a quarterly basis. Furthermore, the Directors never followed up to request that such explanatory notes or any other specific information regarding the basis for the values assigned be provided to them. Although the Portfolio Manager's price adjustments were purportedly based on information obtained by the Portfolio Manager from other traders and although the Board-approved Valuation Procedures required the Valuation Committee to present the Board with explanatory notes for all fair-valued securities, the Valuation Committee never identified to the Directors the bonds for which values were assigned based upon the price adjustments. Nor did the Directors require Fund Accounting or the Valuation Committee to identify those instances where the portfolio manager's price adjustment varied materially from a confirmation.

35. The "*Security Sales*" report for the Funds listed information about the securities sold in each Fund in the preceding quarter, including: (1) par value sold; (2) sales price; (3) the previous day's assigned price; (4) whether it was priced externally or internally, *i.e.*, fair valued; (5) the resulting variance; and (6) the impact on the Fund.

36. The Security Sales report included no information about securities that *had not been sold*—a significant limitation given the fact that securities that were required to be fair valued constituted a majority of Fund assets and most of those securities were not sold during the first six months of calendar 2007. For example, although approximately 290 securities were fair

valued for substantially all of the period between November 2006 and July 31, 2007, only 24 of those securities were sold during that period.

37. The absence of information about potentially stale prices further limited the Directors' ability to (a) review carefully the findings of the Valuation Committee and, (b) satisfy themselves that all relevant factors had been considered. Indeed, the prices of many securities remained relatively unchanged for prolonged periods during the Relevant Period. This information would have been particularly valuable given the increasingly turbulent market conditions during the Relevant Period and the Funds' admonition in their filings that the prices for many of the securities in the portfolio could be volatile.

38. Outside counsel advised the Directors in connection with the adoption of the written Valuation Procedures. Further, during the Relevant Period, independent auditors audited the financial statements for the closed-end funds for the fiscal year ended March 31, 2007 and the open-end fund's financial statements for the fiscal year ended June 30, 2007. During each of these audits, the auditor provided unqualified opinions and advised the Directors that the Valuation Procedures were appropriate and reasonable.

39. These audits did not provide the Directors with sufficient information about the valuation methodologies actually employed by Fund Accounting and the Valuation Committee to satisfy the Directors' obligations. The auditors were not retained to opine on the Funds' internal controls and in fact, advised the Directors that the auditors' "consideration will not be sufficient to enable us to provide assurances on the effectiveness of internal control over financial reporting." As a result, the auditors did not advise the Directors in any meaningful detail as to what pricing methodologies were actually being employed.

RESPONSIBILITIES OF THE BOARD

40. Funds are required to adopt and implement policies and procedures reasonably designed to prevent violations of the securities laws, including policies and procedures concerning a fund's determination of the fair value of portfolio securities.[3] It is a responsibility of a fund's board to ensure that the fund fulfills these obligations, particularly with respect to policies and procedures concerning the determination of fair value. The Directors' explicit statutory responsibilities with regard to the determining of the fair value of securities for which

[3] Rule 38a-1 under the Investment Company Act requires each investment company to "adopt and implement written policies and procedures reasonably designed to prevent violation of the Federal Securities Laws by the fund, including policies and procedures that provide for the oversight of compliance by each investment adviser, principal underwriter, administrator, and transfer agent of the fund…." In the adopting release for this rule, the Commission specifically said that the rule "requires funds to adopt policies and procedures that … provide a methodology or methodologies by which the fund determines the current fair value of the portfolio security…." Investment Company Act Release No. 26229 (Dec. 17, 2003).

market quotations were not readily available are set forth in the definition of "value" in Section 2(a)(41)(B) of the Investment Company Act, which states in pertinent part:

> "Value", with respect to assets of registered investment companies . . . means . . . (i) with respect to securities for which market quotations are readily available, the market value of such securities; and (ii) with respect to other securities and assets, *fair value as determined in good faith by the board of directors*. [Emphasis added][4]

In 1970, the Commission issued guidance on various questions relating to the accounting by registered investment companies for investment securities, including the valuation of such securities. The Commission emphasized that it is the responsibility of a fund's board of directors to determine fair values and cautioned that, while a board may enlist the assistance of individuals who are not board members, it remains the board's duty to establish the fair value methodology to be used and to continuously review *both* the appropriateness of the methods used in valuing each issue of security and the valuation findings resulting from such methods. Specifically, the Commission stated:

> [I]t is incumbent upon the Board of Directors to satisfy themselves that all appropriate factors relevant to the value of securities for which market quotations are not readily available have been considered and to determine the method of arriving at the fair value of each such security. To the extent considered necessary, the board may appoint persons to assist them in the determination of such value, and to make the actual calculations pursuant to the board's direction. The board must also, consistent with this responsibility, continuously review the appropriateness of the method used in valuing each issue of security in the company's portfolio. The directors must recognize their responsibilities in this matter and whenever technical assistance is requested from individuals who are not directors, the findings of such individuals must be carefully reviewed by the directors in order to satisfy themselves that the resulting valuations are fair.[5]

The Commission repeated essentially the same guidance in a 1984 Report of Investigation Pursuant to Section 21(a) of the Exchange Act[6] relating to Seaboard Associates

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4 15 U.S.C. §80a-2(a)(41)(B). *See also* Rule 2a-4 under the Investment Company Act, defining for open-end funds the "Current Net Asset Value" for use in computing periodically the current price of redeemable securities.

5 ASR 118.

6 *In the Matter of Seaboard Associates, Inc.*, Investment Company Act Release No. 13890 (Apr. 16, 1984).

(“*Seaboard*”). Finding fault with a registered fund’s board of directors that had not properly fair valued oil and gas royalty interests, the Commission wrote:

> While the Commission recognizes the difficulties inherent in the valuation of [such] interests, directors have an affirmative responsibility to keep informed of developments which materially affect those assets not having a readily ascertainable market value . . . . Consistent with this responsibility, the directors of a registered investment company must continuously review the appropriateness of the method used in valuing the asset not having a readily ascertainable market value.

In ASR 118 and *Seaboard*, the Commission clearly stated that the ultimate responsibility for determining fair value lies with a fund’s directors, and that this responsibility cannot be delegated away. And while directors may assign to a separate valuation committee the task of calculating fair values pursuant to board-approved valuation methodologies, “each director retains responsibility to be involved in the valuation process and may not passively rely on securities valuations provided by such a committee.”[7]

41. In connection with determining fair values, the Directors did not calculate the valuations themselves, and neither established clear and specific valuation methodologies nor followed up their general guidance to review and approve the actual methodologies used and the resulting valuations. Instead, they approved policies generally describing the factors to be considered but failed to determine what was actually being done to implement those policies. As a result, Fund Accounting implemented deficient procedures, effectively allowing the Portfolio Manager to determine valuations without a reasonable basis. In this regard, the Directors failed to exercise their responsibilities with regard to the adoption and implementation by the Funds of procedures reasonably designed to prevent violations of the federal securities laws.

These failures were particularly significant given that fair-valued securities made up a substantial percentage of the portfolios of each of the Funds—specifically between 64% and 68% of the value of all securities in the closed-end Funds and between 28% and 64% of the value of all securities in the portfolios of the open-end series as of March 31, 2007.

VIOLATIONS

42. As a result of the conduct described above, Respondents caused the Funds’ violations of Rule 38a-1 under the Investment Company Act. That rule requires that registered

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[7] *In the Matter of Jon D. Hammes, et al.*, Investment Company Act Release No. 26290 (Dec. 11, 2003), settled order quoting *In the Matter of Hartl and Lipman et al.*, Investment Company Act Release No. 19840 (Nov. 8, 1993).

investment companies adopt and implement written policies and procedures reasonably designed to prevent violation of the federal securities laws by the fund, including policies and procedures that provide for the oversight of compliance by the fund's investment adviser.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondents' Offer. Accordingly, pursuant to Section 9(f) of the Investment Company Act, it is hereby ORDERED that:

Respondents Alderman, Morgan, Blair, Johnson, McFadden, Pittman, Stone and Willis shall cease and desist from committing or causing any violations and any future violations of, Rule 38a-1 promulgated under the Investment Company Act.

By the Commission.

Elizabeth M. Murphy
Secretary