

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

**INVESTMENT ADVISERS ACT OF 1940
RELEASE NO. 1819 / September 8, 1999**

**INVESTMENT COMPANY ACT OF 1940
RELEASE NO. 23996 / September 8, 1999**

**ADMINISTRATIVE PROCEEDING
FILE NO. 3-10002**

**In the Matter of Van Kampen Investment Advisory Corp. and Alan Sachtleben,
Respondents.**

**ORDER INSTITUTING PROCEEDINGS, MAKING FINDINGS, IMPOSING REMEDIAL
SANCTIONS AND ORDERING RESPONDENTS TO CEASE AND DESIST PURSUANT TO
SECTIONS 203(e), 203(f) AND 203(k) OF THE INVESTMENT ADVISERS ACT OF 1940 AND
SECTIONS 9(b) AND 9(f) OF THE INVESTMENT COMPANY ACT OF 1940**

I.

The Securities and Exchange Commission (Commission) deems it appropriate and in the public interest that public administrative proceedings be instituted against Van Kampen Investment Advisory Corp. (Van Kampen Advisory) and Alan Sachtleben (Sachtleben), (collectively, Respondents), pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940 (Advisers Act) and Sections 9(b) and 9(f) of the Investment Company Act of 1940 (Investment Company Act).

In anticipation of the institution of these proceedings, Respondents have submitted an Offer of Settlement (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 Commission's findings contained herein, except the Commission's findings set forth in Paragraphs III. A. through III. D., which are admitted, Respondents consent to the entry of this Order Instituting Proceedings, Making Findings, Imposing Remedial Sanctions and Ordering Respondents to Cease and Desist pursuant to Sections 203(e), 203(f) and 203(k) of the Advisers Act and Sections 9(b) and 9(f) of the Investment Company Act (Order).

II.

Accordingly, IT IS HEREBY ORDERED that proceedings pursuant to Sections 203(e), 203(f) and 203(k) of the Advisers Act and Sections 9(b) and 9(f) of the Investment Company Act be and hereby are instituted.

III.

On the basis of this Order and Respondents' Offer, the Commission makes the following findings:
/1

Respondents

Van Kampen Advisory, a Delaware corporation headquartered in Oakbrook, Illinois, has been incorporated and registered with the Commission as an investment adviser from 1982 through the present. Van Kampen Advisory is a wholly owned subsidiary of Van Kampen Investments Inc. (Van

Kampen Investments). At all relevant times, Van Kampen Advisory was the investment adviser for, among others, the Van Kampen Growth Fund (Growth Fund).

Sachtleben, age 57 and a resident of Houston, Texas, was, at all relevant times, an associated person of Van Kampen Advisory. He served as the Chief Investment Officer for Equity Investments (Chief Investment Officer) for Van Kampen Advisory and its predecessor company from October 1987 through approximately June 1998, when he retired. He also served as Vice-President of the Growth Fund during the relevant period. As Chief Investment Officer, Sachtleben supervised, among others, Van Kampen Advisory's portfolio managers, research personnel, and trading staff in Houston.

Related Entities

Van Kampen Growth Fund was an incubator fund that began operations on December 27, 1995 as a new diversified series of the Van Kampen Equity Trust, an investment company registered with the Commission./2

Van Kampen Funds Inc., formerly Van Kampen Distributors Inc. (Van Kampen Distributors), a broker-dealer registered with the Commission, is the Growth Fund's principal underwriter. In February 1997, Van Kampen Distributors prepared and distributed sales literature on behalf of the Growth Fund concerning its opening to public investors. Van Kampen Distributors is a wholly owned subsidiary of Van Kampen Investments.

Facts

The Growth Fund's Incubation

From its inception on or about December 27, 1995 to on or about February 3, 1997, the Growth Fund was an incubator fund whose shares were generally not available to the public for investment. Van Kampen and persons affiliated with Van Kampen provided seed money for the Growth Fund. During most of 1996, the Growth Fund had net assets of \$200,000 to \$380,000. The portfolio manager, under Sachtleben's supervision, invested the Growth Fund's assets in various securities with, among other things, the goal of establishing a performance track record to be used in marketing the fund to the public.

During its incubation period, the Growth Fund's Class A shares achieved, without adjusting for the applicable sales load, a 61.99% one-year total return as of December 31, 1996. The Growth Fund was reported to be the best-performing fund in 1996 for its category and a full 20 percentage points ahead of the second-best performing fund based on calculations by Lipper Analytical Services (Lipper). More than 50% of the Growth Fund's 1996 return was attributable to securities it acquired for investment through 31 hot initial public offerings./3 Although the Growth Fund only purchased 100 to 400 shares in each hot IPO, those IPO shares had a magnified impact on the Growth Fund's return because of its small asset base.

During the last quarter of 1996, senior management of Van Kampen Advisory and Van Kampen Distributors decided to market the fund to the general public, in part, as a result of the Growth Fund's performance. The Board of Trustees (Trustees) for the Growth Fund, which was required to approve the opening of any fund for public investment, was scheduled to consider the opening of the Growth Fund at its quarterly board meeting in late January 1997.

The Street Article

On or shortly after January 7, 1997, Sachtleben received a copy of a December 31, 1996 article published in The Street, an internet publication, which, among other things, questioned the "phenomenal" gains of the Growth Fund and the possible use of hot IPOs to bolster its performance. The article highlighted concerns associated with small funds advertising impressive

one-year returns as they go public without disclosing the source of such returns, thus unrealistically raising investor expectations. The article further stated that Van Kampen Advisory could have given "a small fund like Growth a spectacular return by allocating hot initial public offerings to the fund... Because the fund is so small, any one-shot gains will make a big difference in performance."

The IPO Impact Study

In mid-January 1997, shortly after he received the Street Article, Sachtleben directed one of the employees under his supervision to conduct a study to determine the impact of IPOs on the Growth Fund's 1996 performance. The IPO impact study eliminated the effect of the Growth Fund's initial gains from IPOs by assuming that the IPO purchases were made on the secondary market at the higher, post-IPO, price. The results of the study, dated January 21, 1997, showed that the impact of IPOs accounted for approximately one-third of the Growth Fund's 1996 return./4

The January 1997 Board of Trustees Meeting

Sachtleben and others made presentations regarding the Growth Fund's 1996 performance at the quarterly Board of Trustees meeting on January 23 and 24, 1997, at which the public offering of the Growth Fund was approved. However, Sachtleben did not tell the Trustees that he had initiated a study to determine the impact of IPOs on the Growth Fund's 1996 performance. The results of the study were not discussed at the Board of Trustees Meeting.

Omissions of Material Facts Concerning the Growth Fund's Performance

From February 3, 1997 to March 14, 1997, the Growth Fund was open to the public for investment. During that period, the number of shareholders increased from 14 to 14,883 and the Growth Fund raised approximately \$109 million from sales of its shares. The Growth Fund's net assets increased from \$1.1 million to \$110.1 million.

While the Growth Fund was open to the public for investment, Van Kampen Distributors disseminated an advertisement to the public called a "Fact Card." The Fact Card prominently displayed the Growth Fund's 61.99% return and its #1 Lipper ranking, but did not disclose that IPOs had a large impact on the Growth Fund's 1996 return. Sachtleben, in his capacity as Chief Investment Officer for Van Kampen Advisory and as an officer of the Growth Fund, was responsible for providing information about the Growth Fund, including the IPO impact, to the Trustees of the Growth Fund and senior officers of Van Kampen Advisory and Van Kampen Distributors. Sachtleben knew that the Growth Fund's performance figures would be used in the Growth Fund's advertising, but he did not tell the Trustees or the senior officers that he had initiated an IPO impact study or the results of the impact study, which reflected that IPOs had a large impact on the Growth Fund's performance.

The Fact Card also contained the following disclaimers: "The Fund's adviser believes the Fund was managed substantially the same as if the Fund had opened for investment to all public investors. No assurance can be given, however, that the Fund's investment performance would have been the same during the period if the Fund had been broadly distributed." These statements were also included in the Growth Fund's December 31, 1996 semi-annual report and in its prospectus. These statements failed to mention that a large portion of the Growth Fund's return was attributable to its investments in IPOs.

The Growth Fund's December 31, 1996 semi-annual report, which was filed with the Commission on February 28, 1997, failed to include any information regarding the impact on performance from the hot IPO investments. The Growth Fund's December 31, 1996 semi-annual report, that Sachtleben reviewed and signed, reported, among other things, that the Growth Fund achieved a 61.99% total return for 1996. Despite Sachtleben's having the results of the IPO impact study, the semi-annual report attributed this performance to investment in technology, financial services and

health care sectors, which were "some of the best performing [sectors]," and gave examples of four securities that posted large gains during the last six months. None of those securities were IPO securities. In addition, the Growth Fund's semi-annual report included a shareholder letter which discussed the 1996 IPO market generally along with other economic developments. The report gave no indication that the Growth Fund had in any way participated in the IPO market that year. Because information about the impact of IPOs on the Growth Fund's performance would have significantly altered the total mix of information available to investors, this omission made the statements about the Growth Fund's performance in the semi-annual report materially misleading.

As a result of the lack of disclosure by Sachtleben to the Trustees of the Growth Fund and senior officers of Van Kampen Advisory and Van Kampen Distributors, none of the fund's communications to potential shareholders or current shareholders (e.g., the Fact Card, prospectus and semi-annual report) at the time of the fund's dissemination of its first year performance returns included information regarding the large impact of IPOs on the Growth Fund's performance.

Pursuant to Section 31(a) of the Investment Company Act, and Rule 31a-2(a)(3) thereunder, Van Kampen Equity Trust maintained the Fact Card in its files as sales literature intended for distribution to prospective investors. In addition, Van Kampen Equity Trust filed the Growth Fund's December 31, 1996 semi-annual report with the Commission on February 28, 1997 without disclosing the large impact that IPOs had on the Growth Fund's 1996 return.

Other Public Statements Attributed to Van Kampen

Statements in the press attributed to representatives of Van Kampen Distributors and Van Kampen Advisory indicated that there were a limited number of IPOs in the Growth Fund during 1996 and they did not greatly affect the fund's performance. These statements included: "It's not as if the [Growth F]und has had a bunch of hot IPOs;" and "the performance of the [Growth Fund] last year was not greatly influenced by investments in initial public offerings." Given these statements made in the press and the information available to the public in the Fact Card, prospectus and semi-annual report, investors had no reasonable basis to conclude that the Growth Fund's 1996 performance was largely impacted by investments in IPOs.

Violations

Under the facts and circumstances of this case, disclosure that a large portion of the Growth Fund's return was attributable to its investments in IPOs would have been material to an investor's decision whether to invest in the Growth Fund, particularly in light of the fact that, given the growth in the fund's total assets, it was questionable whether the fund could continue to experience, by investing in hot IPOs, substantially similar performance as the fund had previously experienced. Based on the foregoing, Van Kampen Advisory willfully violated and Sachtleben caused and willfully aided and abetted Van Kampen Advisory's violation of Section 206(2) of the Advisers Act . As part of the conduct described in paragraphs III. E. through III. Q. above, Van Kampen Advisory and Sachtleben omitted to state material facts to its client, the Growth Fund, Growth Fund shareholders and prospective shareholders concerning the impact of hot IPOs on the Growth Fund's 1996 performance.

As part of the conduct described in paragraphs III. K. through III. Q. above, Van Kampen Advisory and Sachtleben caused and willfully aided and abetted Van Kampen Equity Trust's violations of Section 34(b) of the Investment Company Act which prohibits the filing, transmitting or keeping of registration statements, applications, reports, accounts, records, or other documents required to be kept under section 31(a) of the Investment Company Act that omit to state facts necessary in order to prevent the statements made in those documents, in the light of the circumstances under which they were made, from being materially misleading.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions that are set forth in the Offer submitted by Van Kampen Advisory and Sachtleben.

Accordingly, IT IS ORDERED that:

Van Kampen Advisory and Sachtleben are censured;

Pursuant to Section 203(k) of the Advisers Act and Section 9(f) of the Investment Company Act, Van Kampen Advisory and Sachtleben cease and desist from committing or causing any violation and any future violation of Section 206(2) of the Advisers Act and Section 34(b) of the Investment Company Act.

Pursuant to Section 203(i) of the Advisers Act and Section 9(d) of the Investment Company Act, Van Kampen Advisory shall, within ten days of the entry of this Order, pay a civil penalty in the amount of \$100,000 to the United States Treasury. 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 or mailed to the Comptroller, Securities and Exchange Commission, Operations center, 6432 General Green Way, Suite B, Mail Stop 0-3, Alexandria, Virginia 22312; and (d) submitted under cover letter which identifies Van Kampen Advisory as one of the respondents in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Mary E. Keefe, Regional Director, Midwest Regional Office, Securities Exchange Commission, 500 W. Madison, Suite 1400, Chicago, Illinois 60661.

Pursuant to Section 203(i) of the Advisers Act and Section 9(d) of the Investment Company Act, Sachtleben shall, within ten days of the entry of this Order, pay a civil penalty in the amount of \$25,000 to the United States Treasury. 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 or mailed to the Comptroller, Securities and Exchange Commission, Operations center, 6432 General Green Way, Suite B, Mail Stop 0-3, Alexandria, Virginia 22312; and (d) submitted under cover letter which identifies Sachtleben as one of the respondents in these proceedings, the file number of these proceedings, a copy of which cover letter and money order or check shall be sent to Mary E. Keefe, Regional Director, Midwest Regional Office, Securities Exchange Commission, 500 W. Madison, Suite 1400, Chicago, Illinois 60661.

By the Commission.

Jonathan G. Katz,
Secretary

FOOTNOTES

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 The term "incubator fund" commonly refers to investment vehicles not generally available to the public created by a sponsor for the purpose of establishing a performance track record and testing investment techniques prior to being offered to the public.

3 Hot IPOs generally refer to securities that trade at a premium over their initial public offering price immediately after the initial public offering.

4 However, while the study did not make these calculations, the actual gains from the Growth Fund's IPO shares accounted for more than 50% of the Growth Fund's 1996 return. The actual gains on the IPO shares derived from the difference between the IPO prices paid and the prices at which Van Kampen Advisory sold those shares or the value of the shares it held as of December 31, 1996.