

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 61601 / February 26, 2010

ADMINISTRATIVE PROCEEDING
File No. 3-11578

In the Matter of

**CIHC, INC., CONSECO
SERVICES, LLC, and
CONSECO EQUITY SALES, INC.,**

Respondents.

**ORDER APPROVING PLAN,
APPOINTING A FUND
ADMINISTRATOR, AND
WAIVING BOND**

On August 9, 2004, the Securities and Exchange Commission (“Commission”) entered an Order instituting settled administrative and cease-and-desist proceedings against subsidiaries of public insurance company Conseco, Inc.: CIHC, Inc. (“CIHC”), Conseco Services, LLC (“Conseco Services”), and Conseco Equity Sales, Inc. (“CES”) (together, “Respondents”) in this matter (“Order”). *In the Matter of CIHC, Inc., Conseco Services, LLC, and Conseco Equity Sales, Inc.*, Admin. Proc. File No. 3-11578, Securities Act of 1933 Release No. 8455 (Aug. 9, 2004). In the Order, the Commission authorized the establishment of a Fair Fund, comprised of \$15,000,000 in disgorgement and penalties paid by Respondents, for distribution to investors affected by certain market timing trading through Conseco variable annuity products. The Order provided that the Fair Fund was to be distributed pursuant to a distribution plan developed by an Independent Distribution Consultant. The Respondents retained Kormendi \ Gardner Partners, Dr. Roger Kormendi, and Mr. Cyrus Gardner as the IDC, who have developed a proposed distribution plan (the “Distribution Plan”) in consultation with the Division of Enforcement and Respondents.

On January 19, 2010, the Commission published an “Amended Notice of Proposed Plan of Distribution and Opportunity for Comment” (“Notice”) pursuant to Rule 1103 of the Commission’s Rules of Fair Fund and Disgorgement Plans, 17 C.F.R. § 201.1103 (Exchange Act Release No. 61209A). The Notice advised all interested parties that they may print a copy of the Distribution Plan from the Commission’s public website, <http://www.sec.gov>, or by submitting a written request to George S. Canellos, Regional Director, United States Securities and Exchange Commission, 3 World Financial Center, Room 400, New York, NY 10281.

The Notice also advised all persons desiring to comment on the Distribution Plan that they may submit their comments, in writing, no later than 30 days from the date of the Notice by sending a letter to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549-1090; by using the Commission's Internet comment form (<http://www.sec.gov/litigation.admin.shtml>); or by sending an e-mail to rule-comments@sec.gov. The Commission received no comments on the Distribution Plan and no modification has been made to the Distribution Plan since its publication.

The Distribution Plan provides for distribution of the Fair Fund to provide compensation for losses caused by Respondents' permitting market timing in Conseco variable annuities despite prospectus disclosures from December 1999 through October 2002. The Distribution Plan describes the procedures to be used to identify the eligible investors that will receive distributions. The Distribution Plan further describes the procedures to be used to calculate the amounts to be paid to the eligible investors and to distribute those amounts to the eligible investors. Eligible investors will not be required to make a claim or submit documentation to establish their eligibility.

The Distribution Plan also proposes Rust Consulting, Inc. ("Rust") as the Fund Administrator and sets forth, among other things, procedures for distributing funds from the Fair Fund to investors; procedures for the administration of the Fair Fund, including provisions for filing tax returns; and a proposed timeframe for the termination of the Distribution Plan.

Rust has not posted the bond generally required of third parties under Fair Fund Rule 1105(c). Rather, the Plan incorporates several layers of protection for the Fair Fund. Among other things, under the Plan: (1) the Fund Administrator will have no custody, and only limited control, of the Fair Fund; (2) the Fair Fund will be held by the U.S. Treasury Bureau of Public Debt until immediately before transmittal of checks or electronic transfers to eligible investors; (3) upon transfer from the U.S. Treasury, funds will be held in an escrow account, separate from bank assets, as defined in paragraph 2 of the Plan, until presentation of a check or electronic transfer, at which time funds will be transferred to a controlled distribution account; (4) presented checks or electronic transfers will be subject to "positive pay" controls before being honored by the bank; and (5) both the bank and the Fund Administrator will maintain, throughout this process, insurance and/or a financial institution bond that covers errors and omissions, misfeasance and fraud.

The staff requests that the Commission approve the Distribution Plan, appoint Rust as the Fund Administrator, and waive the bond requirement of the Fund Administrator for the good cause shown in the Plan.

Accordingly, pursuant to Fair Fund Rule 1104, it is hereby ORDERED that the Distribution Plan is approved.

It is hereby ORDERED, pursuant to Fair Fund Rules 1105(a) and (c), that Rust is appointed as the Fund Administrator in accordance with the terms of the Distribution Plan and that the bond requirement is waived for good cause shown.

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

Elizabeth M. Murphy
Secretary