

**EXHIBIT A**  
**(Proposed Distribution Plan)**

**UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

**SECURITIES AND EXCHANGE  
COMMISSION,**

**Plaintiff,**

**v.**

**DAVID RONALD ALLEN, et al.,**

**Defendants.**

**Civil Action No.  
3:11-CV-882**

**Distribution Plan**

**Introduction and Background**

1. The Securities and Exchange Commission (the “SEC”) submits this Distribution Plan (the “Plan”) to fairly and reasonably distribute the Fair Fund established in this matter (the “Fair Fund”) to investors harmed by the actions described in the Complaint.

2. The SEC incorporates by reference the background and history of this matter as set forth in the accompanying Motion for an Order Consolidating Funds, Directing Final Judgment Payments to the SEC, Approving a Distribution Plan, and Appointing a Distribution Agent.

**The Distribution Agent**

3. Catherine E. Pappas, an SEC employee, will serve as Distribution Agent in connection with the Plan.

4. The Distribution Agent:

(a) shall receive no compensation for the services performed in administering the Fair Fund, other than her regular salary as an employee of the SEC;

(b) shall perform such functions as are necessary to implement and administer the Plan. In performing this function, the Distribution Agent shall be deemed to be acting within the scope of her employment with the SEC. In carrying out her duties, the Distribution Agent may be assisted by other SEC staff acting under her supervision;

(c) shall coordinate with the Tax Administrator to ensure that the Fair Fund, a Qualified Settlement Fund (“QSF”) under Section 468B(g) of the Internal Revenue Code, and related regulations pertaining to QSFs, 26 C.F.R. §§ 1.468B-1 through 1.468B-5, complies with all related legal and regulatory requirements, including without limitation, satisfying any reporting or withholding requirements imposed on distributions from the Fair Fund; and

(d) with her designees, agents and assistants, shall not be required to post a bond, and shall not be liable to any person for their actions hereunder except on a finding of willful disregard of duty.

### **Definitions**

5. The following definitions apply to the terms as used in the Plan:

(a) **Administrative Costs** are all taxes, fees, and expenses of the Fair Fund and the implementation of the Plan, including tax administration and investment fees and expenses. All Administrative Costs will be paid by the Fair Fund.

(b) The ***De Minimis Amount*** is \$10; no Distribution Payments will be made for less than \$10.

(c) **Distribution Payment** is an Eligible Claimant's distribution under the Plan.

(d) **Eligible Claimant** is any Identified Claimant who is not an Unresponsive Claimant, whose Distribution Payment equals or exceeds the *De Minimis* Amount, and who is determined eligible for a Distribution Payment under the methodology described in ¶ 7, below.

(e) The **Fair Fund** is comprised of collections on judgments in the captioned matter, funds paid to the SEC by the Receiver, and accrued interest.

(f) **Identified Claimants** are the claimants to the receivership previously identified by the Receiver. *See* Docket No. 331 (Receiver's Request for First Interim Distribution).

(g) **Investment** is the amount invested by an Identified Claimant as determined by the Receiver and used in the calculations underlying the Receiver's Distribution.

(h) **Net Fair Fund** is the Fair Fund less Administrative Costs.

(i) **Investor Notice** is the notice that the SEC sent to the last known address of each Identified Claimant prior to filing a motion with the Court to approve the Plan. Each Identified Claimant was assigned an Investor Number in the Investor Notice. The Investor Notice, among other things, alerted Identified Claimants to a possible second distribution in the captioned matter, provided information about the tax consequences of distributions, and provided contact information for questions about the distribution.

(j) The **Receiver** is the Court-appointed Receiver in this action.

(k) The **Receiver's Distribution** is the distribution approved by the Court and conducted by the Receiver, as further described in Docket Nos. 331 and 334.

(l) **Recovery** is the sum of the amount recovered by an Identified Claimant as determined by the Receiver and used in the calculations underlying the Receiver's Distribution, and the amount distributed to the Identified Claimant by the Receiver in the Receiver's Distribution.

(m) **Recovery Ratio** is a calculation of Total Recovery as a fraction of the Eligible Claimant's Investment. Interim calculations of the Recovery Ratio will change until the Distribution Agent has identified all Eligible Claimants.

(n) **Tentative Distribution** is an interim calculated distribution amount under ¶ 7 of this Plan.

(o) **Total Recovery** is an Eligible Claimant's Recovery plus any Distribution Payment.

(p) **Unresponsive Claimant** is any Identified Claimant from whom information has been or is being sought by the staff of the SEC, the Tax Administrator, and/or the Distribution Agent, including tax compliance related information, and who does not timely provide that information; and any Identified Claimant who the SEC cannot locate through reasonable efforts. Identified Claimants who relocate after being contacted by the Distribution Agent must promptly provide to the Distribution Agent new contact information in order to not be classified as an Unresponsive Claimant. For purposes of the Plan, attempting to locate Identified Claimants through the use of commercial databases regularly available to the Division of Enforcement of the SEC,

review of the SEC investigative file, and/or obtained through the Investor Notice, are reasonable efforts.

**Methodology for Identifying Eligible Claimants  
and Determining Distribution Payments.**

6. The methodology used under the Plan will be the same as that used by the Receiver in the Receiver's distribution – the rising tide methodology. *See* Docket No. 331, p. 7. The objective of the rising tide methodology is to distribute the Net Fair Fund so that each Identified Claimant's Recovery Ratio is the same for all Eligible Claimants.

7. The Distribution Agent will identify Eligible Claimants, and the amount to be distributed to each Eligible Claimant, in the following manner:

(a) The Distribution Agent will create a list of Identified Claimants who are not Unresponsive Claimants (the "Preliminary List");

(b) Using the Preliminary List, the Distribution Agent will calculate the Recovery Ratio;

(c) For each Identified Claimant on the Preliminary List, the Distribution Agent will calculate the Identified Claimant's Tentative Distribution by multiplying the Recovery Ratio by the Identified Claimant's Investment, and subtract from that product the Identified Claimant's Recovery;

(d) If for any Identified Claimant the Tentative Distribution is less than the *De Minimis* Amount, the Identified Claimant will be removed from the Preliminary List, and steps (b) through (d) will be repeated until each remaining Identified Claimant's Tentative Distribution is equal to or greater than the *De Minimis* Amount. Such amount will be the Identified Claimant's Distribution Payment and each remaining Identified Claimant on the Preliminary List will be deemed an Eligible Claimant.

**Distribution of the Fair Fund**

8. Prior to distributing any funds to Eligible Claimants, the Distribution Agent will reserve funds for, or pay, as appropriate, any unpaid Administrative Costs.

9. The Net Fair Fund will be distributed to Eligible Claimants pursuant to the methodology described in ¶7, above. The Distribution Agent will make a payment to each Eligible Claimant through the United States Department of the Treasury's Bureau of the Fiscal Service ("BFS") by electronically transferring funds through the Automated Clearing House or mailing a check to the payee. The Distribution Agent will compile the information, prepare a payment file, and verify the payment file's completeness and accuracy for submission to SEC staff who, without further Court Order, will make the disbursements through BFS.

10. Checks that are not negotiated prior to their stale date shall be voided, with the distribution amount remaining in the Fair Fund for disposition in accordance with this Plan. Electronic payments will be made only to cash equivalent accounts (e.g., checking or savings accounts).

11. If funds remain in the Net Fair Fund after an initial distribution and/or additional funds are collected, the Distribution Agent in her sole discretion, and without further Order of the Court, will make an assessment as to whether it is feasible and justifiable to attempt to distribute the remaining funds ("Additional Distribution"). Any Additional Distribution will be made pursuant to the Plan but will not be made to any Eligible Claimant who failed to negotiate the immediately prior Distribution Payment.

**Final Accounting and Termination**

12. Upon completion of all distributions under this Plan and the payment of all Administrative Costs, the Distribution Agent will file a final accounting with the Court and seek,

as appropriate, an Order terminating the Fair Fund, directing the SEC to remit any residual funds to the U.S. Treasury, and discharging the Distribution Agent.

13. All proceedings with respect to the administration, processing, and determination of claims and the determination of all related controversies, shall be subject to the exclusive jurisdiction of this Court.

14. The Court reserves the right to amend the Plan from time to time, and retains jurisdiction over this matter for this purpose and for any and all other matters that may arise under or relate to the Plan.