

**UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF TEXAS**

**UNITED STATES SECURITIES AND
EXCHANGE COMMISSION,**

Plaintiff,

v.

**GOLDEN STATE EQUITY
INVESTORS, INC.,**

Defendant.

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Case No. 4:09cv1307 (MH)

DISTRIBUTION PLAN

INTRODUCTION

On April 30, 2009, the Securities and Exchange Commission (the "Commission") filed its Complaint in this action alleging that Golden State Equity Investors, Inc. ("Golden State") violated the registration provisions of the Securities Act of 1933 ("Securities Act") through the offer and sale of Grifco International, Inc. ("Grifco") securities in unregistered transactions.

On May 8, 2009, this Court entered a Final Judgment As To Defendant Golden State Equity Investors, Inc. (the "Final Judgment") against Golden State, to which Golden State consented without admitting or denying the allegations in the Complaint. Pursuant to the Final Judgment, Golden State paid disgorgement of \$1,269,907, representing profits gained as a result of the conduct alleged in the Complaint, together with prejudgment interest thereon in the amount of \$257,672 and a civil penalty of \$50,000 to the Clerk of the Court on or about May 26, 2009. The funds were deposited in the Court Registry Investment System ("CRIS") in an interest-bearing account identified by this case name and docket number ("Golden State CRIS

Account”). As of March 14, 2013, the Golden State CRIS Account’s balance was \$1,572,247.91.

The Final Judgment provides that the Commission may propose a plan to distribute the funds in the Golden State CRIS Account subject to the Court’s approval, and that the plan may provide that the funds be distributed pursuant to the Grifco Fair Fund provisions of Section 308(a) of the Sarbanes-Oxley Act of 2002.

The Distribution Agent, in consultation with the Commission staff, prepared this Plan of Distribution, and the Commission submitted the Plan of Distribution to this Court for its approval.

This Court hereby approves this Plan of Distribution.

ARTICLE I

DEFINITIONS

As used in this Distribution Plan, the following definitions shall apply:

- 1.1 “Affiliate” shall have the meaning set forth in Section 101(2) of the United States Bankruptcy Code, 11 U.S.C. § 101(2).
- 1.2 “Approved Claim” shall mean a claim approved by the Distribution Agent pursuant to the terms of this Distribution Plan.
- 1.3 “Approved Claim Amount” shall mean the final amount of an Eligible Claimant’s Approved Claim that will be disbursed to an Eligible Claimant after pro-rated payment awards are calculated pursuant to the Distribution Plan. The minimum payment threshold for an Approved Claim Amount shall be \$10.00.
- 1.4 “Available Distribution” shall mean the Grifco Fair Fund, plus interest, less costs, fees, tax payments, and other expenses paid or reimbursed pursuant to orders of the Court.

1.5 “Claims Bar Date” shall mean the date established in accordance with this Distribution Plan by which a Potentially Eligible Claimant’s Proof of Claim Form must be received by the Distribution Agent to avoid the barring of any right of the Potentially Eligible Claimant to participate in any distribution from the Grifco Fair Fund. The Claims Bar Date shall be one hundred and twenty (120) days after the Distribution Agent’s initial mailing of Notice Packets to Potentially Eligible Claimants as set forth in Section 3.14 below. Claims received after the Claims Bar Date will not be reviewed and evaluated.

1.6 “Claim Deficiency Notice” means the notice sent by the Distribution Agent to a Potentially Eligible Claimant whose claim is deficient in one or more ways (*e.g.*, failure to provide required information or documentation). The Claim Deficiency Notice shall advise the Potentially Eligible Claimant of the reason or reasons for the deficiency and the opportunity to cure such deficiency. A Claim Deficiency Notice shall be provided no later than sixty (60) days after the Claims Bar Date.

1.7 “Claims Determination Date” shall mean the date on or before which the Distribution Agent is to reach its determination concerning the validity and amount of each Potentially Eligible Claimant’s claim. Except as otherwise provided herein, the Claims Determination Date shall be no later than ninety (90) days following Claims Bar Date.

1.8 “Days” shall mean calendar days.

1.9 “Determination Notice” shall mean the notice sent by the Distribution Agent to a Potentially Eligible Claimant stating the Distribution Agent’s determination of the validity of the Potentially Eligible Claimant’s claim.

1.10 “Distribution Agent” shall mean RG/2 Claims Administration LLC (“RG/2 Claims”), the Distribution Agent approved by the Court, to assist with the administration and distribution of the Grifco Fair Fund.

1.11 “Distribution Plan” shall mean this distribution plan as approved by the Court.

1.12 “Distribution Plan Notice” shall mean the notice given to Potentially Eligible Claimants of their potential right to participate in the distribution of the Grifco Fair Fund and their obligation to file a Proof of Claim Form in order to so participate. The Distribution Agent, in consultation with the staff of the Commission, shall design the Distribution Plan Notice, consistent with the provisions of this Distribution Plan, and such notice shall include, at a minimum, a statement that the Grifco Fair Fund relates to purchases of Grifco Securities during the Recovery Period, the means of obtaining Notice Packets (including Proof of Claim Forms), instructions for submitting Proof of Claim Forms, and the Claims Bar Date. The Distribution Plan Notice shall advise Potentially Eligible Claimants that by participating in the distribution of the Grifco Fair Fund, they will not be releasing any rights or claims they may have against any party (other than with respect to the Distribution Agent), including, but not limited to, Grifco or Golden State, or their past and present directors, officers, promoters, advisers, agents, Affiliates, nominees, assigns, creditors, or controlled entities.

1.13 “Eligible Claimant” shall mean Potentially Eligible Claimant filing a Proof of Claim Form with the Distribution Agent on or before the Claims Bar Date who is finally determined by the Distribution Agent to be eligible for a distribution from the Grifco Fair Fund as provided herein because he or she purchased and held or purchased and sold Grifco Securities during the Recovery Period and suffered a loss as defined herein. An “Eligible Claimant” shall not include:

- (a) Any director, officer, employee, or promoter, past or present, of Grifco or Golden State or any of their past or present advisers, agents, Affiliates (or any of their nominees, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities) who served in such capacity during the Recovery Period;
- (b) Any defendant in any action brought by the Commission or any class action lawsuit related to the conduct described in the Commission's Complaint in this action or any related Commission action (or any of such defendant's advisers, agents, Affiliates, nominees, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities), unless and until such defendant is found not liable in all such civil suits prior to the Claims Bar Date, and proof of the finding(s) is included in such defendant's timely filed Proof of Claim Form;
- (c) Any Person who, as of Claims Bar Date, has been the subject of criminal charges related to the violations alleged in the Commission's Complaint in this action or any related Commission action (or any of his or her Affiliates, agents, advisers, nominees, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities) unless and until such defendant is found not guilty in all such criminal cases prior to the Claims Bar Date, and proof of the finding(s) is included in such defendant's timely filed Proof of Claim Form;
- (d) Any assignee of another Person's right to obtain a recovery in the Commission's action against Golden State, provided, however, that this provision shall not be construed to exclude those Persons who obtained such a right by inheritance or devise; or

- (e) The Distribution Agent, its employees, and those persons assisting the Distribution Agent in its role as the Distribution Agent.

1.14 "Eligible Loss Amount" shall mean the amount of loss an Eligible Claimant has incurred through the purchase of Grifco Securities during the Recovery Period, as determined under the Plan of Allocation (attached hereto as Attachment A), minus the amount of any reimbursement by Grifco or Golden State, Victory Energy Corporation, First Texas Natural Gas Company, Inc., Universal Energy Resources, Inc., Precision Drilling and Exploration, Inc., Ozona Natural Gas Company, and Remuda Operating Company, their directors, officers, employees, promoters or any of their past or present Affiliates (or any of their nominees, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities) who served in such capacity during the Recovery Period.

1.15 "Grifco Fair Fund" shall refer to all proceeds from Golden State's compliance with the Order of Final Judgment, including disgorgement, prejudgment interest and a civil penalty, plus any additions thereto as may be provided by future Court orders or agreements in related cases or otherwise.

1.16 "Grifco Securities" shall mean Grifco International, Inc. common stock, but does not include securities of any predecessor, successor or Affiliated company to Grifco.

1.17 "Minimum Distribution Amount" shall mean the specified dollar amount that an Approved Claim Amount must equal or exceed in order for a distribution to be made to an Eligible Claimant. An Eligible Claimant's Eligible Loss Amount shall be used as the basis for calculating whether an Eligible Claimant holds a claim that meets the Minimum Distribution Amount for an Approved Claim. The Minimum Distribution Amount shall be \$10.00.

1.18 “Notice Packet” shall mean the materials relevant to submitting a claim that will be provided to Potentially Eligible Claimants known to the Distribution Agent or to those people who request such materials. The Distribution Agent, in consultation with the staff of the Commission, shall prepare the Notice Packet, which shall include, at a minimum, a copy of the Distribution Plan Notice and the Proof of Claim Form.

1.19 “Person” shall mean a natural individual as well as a legal entity, such as a corporation, partnership, limited liability company, or governmental entity. All nouns, pronouns, and any variations thereof in this Distribution Plan shall be deemed to refer to the masculine, feminine, neuter, singular, or plural as the context may require.

1.20 “Plan of Allocation” for purposes of this Distribution Plan, shall be the methodology set forth in Attachment A hereto.

1.21 “Potentially Eligible Claimant” shall mean a Person identified by the Distribution Agent as having a possible claim to the Grifco Fair Fund under this Distribution Plan.

1.22 “Proof of Claim Form” shall mean the form designed by the Distribution Agent, in accordance with this Distribution Plan, for the filing of proof of a Potentially Eligible Claimant’s claim. The form shall require, at a minimum, that a Potentially Eligible Claimant submit sufficient documentation reflecting the Potentially Eligible Claimant’s purchases and dispositions of Grifco Securities during the Recovery Period and the Tax Identification Number of the Potentially Eligible Claimant.

1.23 “Recognized Loss (or Gain) Per Share” shall mean the amount of loss or gain per share, as calculated pursuant to the Plan of Allocation (attached hereto as Attachment A).

1.24 “Recovery Period” for purposes of this Distribution Plan shall mean the period of time commencing on or about January 1, 2005 and continuing through the close of the markets on December 14, 2006.

1.25 “Summary Notice” shall mean the notice published via Press Release pursuant to Section 3.12 below. Such notice (the text of which shall be approved by the staff of the Commission) shall include, at a minimum, a statement that the Grifco Fair Fund relates to purchases of Grifco Securities during the Recovery Period and the means of obtaining a Notice Packet.

1.26 “Tax Administrator” shall mean Damasco & Associates, LLP, the firm appointed by the Court on May 22, 2012.

1.27 “Well-Capitalized” shall have the same meaning as defined by the Federal Reserve Act Subpart D, 12 C.F.R. 208.43.

ARTICLE II

ALLOCATION AMONG ELIGIBLE CLAIMANTS

2.1 The Available Distribution shall be allocated among Eligible Claimants who filed Approved Claims as provided under the terms of this Distribution Plan. Payments shall only be made to Eligible Claimants who are entitled to receive a distribution of at least the Minimum Distribution Amount.

2.2 An Eligible Claimant’s Eligible Loss Amount shall be used as the basis for calculating, pursuant to the Plan of Allocation attached hereto as Attachment A, whether an Eligible Claimant holds a claim that meets the Minimum Distribution Amount for an Approved Claim, and the Approved Claim Amount. As described in the Plan of Allocation, generally, the Eligible Loss Amount is determined by aggregating the Recognized Loss (or Gain) Per Share of all shares purchased during the Recovery Period. As set forth in Section 3.4 below, the Distribution

Agent may, but is not required to, aggregate an Eligible Claimant's accounts for purposes of determining the Eligible Loss Amount and/or to meet the Minimum Distribution Amount.

ARTICLE III

ADMINISTRATION OF THE CLAIMS PROCEDURE

A. General Administrative Provisions

3.1 The Distribution Agent shall oversee the administration of the claims, procedures, and distribution as provided in this Distribution Plan. The Distribution Agent shall review the claim of each Potentially Eligible Claimant and make a determination under the criteria established herein as to the eligibility of each Potentially Eligible Claimant to recover monies and the amount of money to be distributed from the Grifco Fair Fund to each Eligible Claimant in accordance with the provisions of this Distribution Plan.

3.2 Any claim asserted by a Potentially Eligible Claimant shall be in writing and shall provide adequate documentary evidence to substantiate the claim, including all documentary evidence which the Distribution Agent deems necessary or appropriate, including, but not limited to, available account statements and trade confirmations.

3.3 All claims must be verified on the basis of a sworn Proof of Claim Form, affidavit or declaration executed by the Potentially Eligible Claimant under penalty of perjury under the laws of the United States. In determining the Eligible Loss Amount for an Eligible Claimant, the Distribution Agent may aggregate the accounts held by an Eligible Claimant in accordance with the aggregation rules set forth in Section 3.4 below.

3.4 Each Person who is a Potentially Eligible Claimant and would like to aggregate accounts shall so designate in the Proof of Claim Form, *provided* that a Person may only aggregate accounts as follows:

- (a) With respect to an individual Person, such Person may aggregate such Person's accounts, such Person's parent's, child's, or spouse's (collectively "family") accounts, such Person's or such Person's family retirement accounts, and accounts owned by a corporation or partnership in which such Person or such Person's family is a majority owner or which is controlled by such Person or such Person's family; and
- (b) With respect to a Person that is a corporation or partnership, such Person's accounts and such Person's Affiliates' accounts.
- (c) The Distribution Agent in its exclusive discretion may, for purposes of this Section 3.4, but shall not have any obligation to, aggregate accounts not designated for aggregation in a Proof of Claim Form.
- (d) Notwithstanding the aggregation of individual accounts with retirement accounts (e.g. IRA accounts) for purposes of this Section 3.4, all payments shall respect the manner in which an account is nominated. For example, Jane Smith may aggregate her personal accounts with her IRA account to meet the Minimum Distribution Amount. However, the payment to Jane Smith will be made payable directly to her for her personal account(s) and payable to the trustee or custodian of her IRA for her IRA account.

3.5 The receipt of Grifco Securities during the Recovery Period by gift, inheritance, devise, or operation of law shall not be deemed to be a purchase of Grifco Securities during the Recovery Period, nor shall it be deemed an assignment of any claim relating to the purchase of such shares unless specifically provided in the instrument of gift or assignment. However, the recipient of Grifco Securities as a gift or as a distribution from an estate shall be eligible to file a

Proof of Claim Form and participate in the distribution of the Grifco Fair Fund to the extent the particular donor or decedent as the actual purchaser of Grifco Securities would have been eligible based upon the circumstance of such purchase within the Recovery Period. However, the donee and the donor may not both make a claim with regard to the same Grifco Securities. If both the donor and the donee make such a claim, only the claim filed by the donee will be honored.

3.6 To the extent that an Eligible Claimant, his or her representative, heir, or assign requests a distribution check to be issued or reissued in a different name than the Eligible Claimant (*e.g.*, as the result of a name change because of marriage or divorce, or as the result of death), the Distribution Agent shall honor such request upon receipt of a completed consent form and documentation which the Distribution Agent in its sole discretion deems appropriate to substantiate the request.

3.7 Claims on behalf of a retirement plan covered by Section 3(3) of ERISA, 29 U.S.C. § 1002(3), which do not include Individual Retirement Accounts, and such plan's participants, are properly made by the custodian or fiduciary of the plan and not by the plan's participants. The Distribution Agent shall distribute any payments on such claims directly to the custodian or fiduciary of the retirement plan. The distribution shall be accompanied by a list of plan participants and the number of shares owned by each plan participant, if that information is known to the Distribution Agent or provided to the Distribution Agent. The custodian or fiduciary of the retirement plan shall distribute any payments received in a manner that is consistent with its fiduciary duties and the account or plan provisions. With respect to any retirement plan that has been closed prior to the Distribution Agent's identification of Potentially Eligible Claimants, the Distribution Agent shall endeavor to distribute funds directly to the

beneficial account holders of such retirement plans if the information required for such a distribution is known to or provided to the Distribution Agent prior to the Claims Bar Date.

3.8 To carry out the purposes of this Distribution Plan, the Distribution Agent is authorized to make adjustments or clarifications to the Distribution Plan that are consistent with the purposes of the Distribution Plan, if agreed upon by the Distribution Agent and the staff of the Commission and approved by the Court.

3.9 The Distribution Agent will build a database for purposes of administering the Grifco Fair Fund, containing information received from Potentially Eligible Claimants in the Commission's actions.

3.10 The Grifco Fair Fund will be distributed to investors who purchased and sold or purchased and held Grifco Securities between January 1, 2005 and December 14, 2006, subject to the Plan of Allocation.

B. Identification of and Notice to Potentially Eligible Claimants

3.11 The Distribution Agent shall, insofar as is practicable, use its best efforts to identify Potentially Eligible Claimants from victim impact statements filed with the United States Attorneys' Office in conjunction with the criminal proceedings arising from the purchase and sale of Grifco Securities and the Blue Sheets obtained by the Commission.

3.12 Within forty-five (45) days following the entry by the Court of its order approving this Distribution Plan, the Distribution Agent shall:

- (a) Create a mailing and claims database, consisting of the existing information of the Potentially Eligible Claimants;

- (b) Run a National Change of Address search to retrieve updated addresses for all records in the new database, thereby ensuring updated mailing information for Potentially Eligible Claimants;
- (c) Mail by United States First Class Mail a Notice Packet to each Potentially Eligible Claimant known to the Distribution Agent;
- (d) Establish a website portal on its own website, www.rg2claims.com, constructed for the administration of the Grifco Fair Fund from which each Potentially Eligible Claimant may request a Notice Packet by mail or download a copy of the Notice Packet and other relevant documents online;
- (e) Provide a copy of the Distribution Plan and Distribution Plan Notice to the Commission and request that the Commission post the Plan and Notice on the Investors Claims Funds page of SEC.gov and establish a link to the Grifco Fair Fund's website;
- (f) Establish a toll-free telephone call-in number by which Potentially Eligible Claimants can obtain information about the Grifco Fair Fund; and
- (g) Publish a copy of a Summary Notice, approved by Commission staff, on a single occasion as a press release on the P.R. Newswire and the Depository Trust & Clearing Corporation Legal Notice Service.

3.13 The Distribution Agent shall also give additional notice of the distribution process in such a manner as the Distribution Agent, in consultation with the Commission staff, deems appropriate, which may include direct notification to custodians, securities broker-dealers, and other potential nominee purchasers identified by the Distribution Agent.

3.14 The Distribution Agent shall promptly provide a Notice Packet to any Potentially Eligible Claimant who so requests electronically, in writing, or by telephone, as set forth in the Distribution Plan Notice.

3.15 To avoid being barred from asserting a claim, on or before the Claims Bar Date, each Potentially Eligible Claimant must submit to the Distribution Agent a properly completed Proof of Claim Form reflecting such Potentially Eligible Claimant's claim, together with all required supporting documentation. The Claims Bar Date may be extended for one or more Potentially Eligible Claimants by the Distribution Agent, in which event such extension shall constitute the Claims Bar Date for such Potentially Eligible Claimants. Unless otherwise determined by the Distribution Agent in its sole discretion for good cause shown, any Potentially Eligible Claimant who does not file a properly completed and documented Proof of Claim Form, including the Potentially Eligible Claimant's Tax Identification Number, so that such completed form and documentation are postmarked by (or received by the Distribution Agent if not sent by U.S. Mail) on or before the Claims Bar Date (*see Section 1.5* above), shall be barred from asserting a claim against the Grifco Fair Fund or the Distribution Agent. The burden shall be upon the Potentially Eligible Claimant to ensure that his or her Proof of Claim Form has been properly and timely received by the Distribution Agent.

3.16 Claims with 100 or more transactions or on behalf of 20 or more different accounts must be submitted electronically and in the format specified by the Distribution Agent. The mandatory electronic filing requirements will be available on the Grifco Fair Fund website. Files that do not comply with the required electronic filing format may be rejected.

**C. Notification of Claims Determination, Including
Notice of Deficient Claims and Opportunity to Cure**

3.17 The Distribution Agent shall review each Proof of Claim Form received to determine the validity and amount of such Potentially Eligible Claimant's Eligible Loss Amount, together with any additional conclusions of the Distribution Agent on other issues relevant to the claim. Each Potentially Eligible Claimant shall have the burden of proof to establish the validity and amount of his or her claim, and that he or she qualifies as an Eligible Claimant; and the Distribution Agent shall have the right to request, and the Potentially Eligible Claimant shall have the burden of providing to the Distribution Agent, any additional information and/or documentation deemed relevant by the Distribution Agent.

3.18 The Distribution Agent shall provide to each Potentially Eligible Claimant whose claim is deficient, in whole or in part, a Claim Deficiency Notice setting forth the reason(s) why the claim is deficient. The Claim Deficiency Notice shall be provided to such affected claimants within sixty (60) days after the Claims Bar Date.

3.19 The Distribution Agent shall have the authority, in its sole discretion, on a case-by-case basis, to extend the Claims Bar Date and waive technical claim deficiencies and approve claims.

3.20 Any Potentially Eligible Claimant who has received a Claim Deficiency Notice shall have twenty (20) days from the date of the Claim Deficiency Notice to cure any deficiencies identified in the Notice.

3.21 A Potentially Eligible Claimant who has failed to file an appropriate Proof of Claim Form in a timely manner, or who has failed to cure a deficiency in a timely manner identified in a Claim Deficiency Notice, is not permitted to object to the barring or denial of his or her claim on the basis that:

- (a) The Distribution Agent failed to mail, or properly to mail, or that such Potentially Eligible Claimant failed to receive, a copy of the Distribution Plan Notice, Notice Packet, or the relevant Determination Notice;
- (b) The Distribution Agent failed to properly record the receipt of an initial Proof of Claim Form, or a revised Proof of Claim Form to cure deficiencies, or the requisite supporting documentation; or
- (c) A Potentially Eligible Claimant's name and/or proper contact information was not properly recorded in the Distribution Agent's records.

The Potentially Eligible Claimant has the burden of notifying the Distribution Agent of his or her current address and other contact information, and of ensuring that such information is properly recorded in the Distribution Agent's records.

3.22 On or before the Claims Determination Date, the Distribution Agent shall mail by United States First Class Mail a Determination Notice to each Potentially Eligible Claimant who has filed a Proof of Claim Form with the Distribution Agent, setting forth the Distribution Agent's conclusions concerning such claim. In the event a claim is denied, in whole or in part, the Distribution Agent will state the reason for such denial.

3.23 All determinations made by the Distribution Agent in accordance with this Distribution Plan shall be final and not subject to appeal.

D. Payment of Approved Claims

3.24 The Distribution Agent shall distribute the Available Distribution to all Eligible Claimants who filed Approved Claims only after all timely submitted Proof of Claim Forms have been processed and all Potentially Eligible Claimants whose claims have been rejected or

disallowed, in whole or in part, have been notified and provided the opportunity to cure pursuant to the procedures set forth above.

3.25 Within forty-five (45) days following the Claims Determination Date, the Distribution Agent shall prepare a final payee list that includes the names of Eligible Claimants and the Eligible Loss Amount of each Eligible Claimant. The Distribution Agent shall provide the final payee list to the Commission staff, and upon review, the Commission staff shall petition the Court to transfer all funds in the Golden State CRIS account to the Distribution Agent in accordance with the provisions of the Distribution Plan for distribution to Eligible Claimants pursuant to the Distribution Plan. In conjunction with the motion seeking transfer of the Golden State CRIS account to the Distribution Agent for distribution, the final payee list shall, upon request, be made available to the Court under seal. The distribution amount specified to the Court will have already taken into account reserves for taxes, as requested by the Tax Administrator and approved by the Commission staff and reserves necessary for other fees, late claims, or reasonably anticipated expenses.

3.26 Following the Court's approval of the Commission's petition for the authority to distribute the funds from the Available Distribution to the Eligible Claimants holding Approved Claims as provided for in this Distribution Plan, the Court may issue an order to the Clerk of the Court to transfer all funds in the Golden State CRIS account representing the Grifco Fair Fund, less any expenses due the Court, to the account or accounts established by the Distribution Agent in accordance with Section 3.27 below. The Distribution Agent shall commence the distributions to all Eligible Claimants as promptly as possible following the transfer of the funds.

3.27 Upon receipt of the monies from the Court's registry in this matter, the Distribution Agent shall sign a receipt acknowledging the receipt of the funds and deposit these monies in a bank account as described below:

- (a) The bank account will be maintained at a Well-Capitalized United States commercial bank (the "Bank"), to be proposed by the Distribution Agent and not unacceptable to the staff of the Commission. In the event the Bank's Well-Capitalized status changes, the Distribution Agent will promptly inform the SEC staff of such change in status.
- (b) The Distribution Agent shall then file the signed receipt with the Court and supply a copy of the receipt to counsel for the Commission in this matter within ten (10) days of receipt of the monies.
- (c) Pursuant to an escrow agreement (the "Escrow Agreement") to be provided by the staff of the Commission, the Distribution Agent and the Bank shall establish an escrow account in the name of and bearing the Employer Identification Number ("EIN") of the Qualified Settlement Fund ("QSF"), as custodian for the distributees of the Distribution Plan. The name of each account shall be in the following form: "QSF, SEC v. Golden State Equity Investors, Inc., EIN No. _____," as custodian for the benefit of investors allocated a distribution from the Golden State Equity Investors, Inc. Distribution Plan in SEC v. Golden State Equity Investors, Inc., (the "Grifco Fair Fund Escrow Account"). The Distribution Agent and Bank shall also establish a separate deposit account (*e.g.* controlled distribution account, managed distribution account, linked checking and investment account) titled as set forth above for the purpose of funding

checks to be distributed to investors by the Distribution Agent pursuant to the Distribution Plan.

- (d) During the term of the Escrow Agreement, if invested, the Grifco Fair Fund Escrow Account shall be invested and reinvested in short-term United States Treasury securities backed by the full faith and credit of the United States Government or an agency thereof, of a type and term necessary to meet the cash liquidity requirements for payments to Eligible Claimants, tax obligations, and/or fees of the Tax Administrator and Distribution Agent, including investment or reinvestment in a bank account insured by the Federal Deposit Insurance Corporation ("FDIC") up to the guaranteed FDIC limit, or in AAA-rated Money Market Mutual Funds registered under the Investment Company Act of 1940 that directly invest in short term U.S. Treasury securities and obligations, all backed by the full faith and credit of the U.S. Government; provided, however, that the AAA-rated Money Market Mutual Funds' investments in short term U.S. Treasury securities will not be made through repurchase agreements or other derivative products. The Distribution Agent shall provide duplicate original bank and/or investment statements on any accounts established by the Distribution Agent to the Tax Administrator on a monthly basis and shall assist the Tax Administrator in obtaining mid-cycle statements, as necessary.
- (e) In consultation with the staff of the Commission, the Distribution Agent shall work with the Bank on an ongoing basis to determine an allocation of funds between the escrow and the deposit accounts that will preserve earnings, if possible, without compromising safety and soundness by providing maximum

protection for the Grifco Fair Fund under the full faith and credit of the United States Government and/or the maximum available FDIC deposit insurance and pass-through deposit insurance.

3.28 If, after the Distribution Agent makes the distribution to Eligible Claimants, funds remain in the Grifco Fair Fund in addition to tax reserves, those funds shall be paid to the Commission for transfer to the United States Treasury.

3.29 All Grifco Fair Fund checks presented for payment or electronic transfers will be subject to “positive pay” controls before being honored by the Bank, and all such checks issued to Eligible Claimants by the Distribution Agent shall bear a stale date of ninety (90) days.

Accordingly, checks that are not negotiated within this period shall be voided and the issuing financial institution shall be instructed to stop payment on those checks. Where an Eligible Claimant’s check has not been negotiated within the ninety (90) day period and has been voided by the Distribution Agent, that Eligible Claimant’s claim shall be extinguished upon the occurrence of the stale date. All such funds will be returned to the Grifco Fair Fund.

3.30 The Distribution Agent shall use all reasonable commercially available resources to locate all Eligible Claimants whose checks are returned to the Distribution Agent as undeliverable by the U.S. Postal Service. However, the claimant has the burden of providing the Distribution Agent with any changes to his or her mailing address.

3.31 All distribution payments shall be preceded or accompanied by a communication that includes, as appropriate:

- (a) A statement characterizing the distribution;

- (b) A statement that the tax treatment of the distribution is the responsibility of each recipient and that the recipient should consult his or her tax advisor for advice regarding the tax treatment of the distribution;
- (c) A statement that checks will be void after ninety (90) days; and
- (d) The name of a person or entity to contact, if the Eligible Claimant has any questions regarding the distribution.

Any such communication shall be submitted to the staff of the Commission and the Tax Administrator for review and approval. The Grifco Fair Fund distribution checks, on their face, or the accompanying mailing shall clearly indicate that the money is being distributed from a Grifco Fair Fund established by the Commission to compensate investors for harm as a result of their investment in Grifco Securities.

3.32 Under no circumstances shall the Distribution Agent, its employees or its agents incur any liability to any Person in connection with a distribution made in accordance with the list of all Eligible Claimants and their Eligible Loss Amount as approved by the Court, and all Persons are enjoined from taking any action in contravention of this provision. Upon receipt and acceptance by an Eligible Claimant of a distribution from the Grifco Fair Fund, such Eligible Claimant shall be deemed to have released all claims that such Eligible Claimant may have against the Distribution Agent, its employees, agents, and attorneys in connection with the Distribution Plan and the administration of the Grifco Fair Fund, and shall be deemed enjoined from prosecuting or asserting any such claims.

3.33 The submission of the Proof of Claim Form and the receipt and acceptance of a distribution by an Eligible Claimant shall not affect an Eligible Claimant's rights and claims against any party (other than the Distribution Agent), including, but not limited to, Grifco or

Golden State or either entity's past or present directors, officers, employees, promoters, agents, advisers, Affiliates, nominees, assigns, creditors, or controlled entities.

ARTICLE IV

POST-DISTRIBUTION

4.1 The Distribution Agent shall reissue checks to Eligible Claimants, upon the receipt of a valid, written request from the Eligible Claimant. Such reissued checks will be void after thirty (30) days from issuance and in no event will a check be reissued after ninety (90) days post-distribution.

4.2 The Distribution Agent will perform an advanced address search for those checks that are returned as undeliverable, to the extent such search is feasible, and will reissue such checks so long as the new address is received within ninety (90) days post-distribution. Furthermore, the Distribution Agent will take additional steps, as necessary, to follow-up on the status of uncashed checks at the request of Commission staff and will reissue such checks if necessary, within ninety (90) days post-distribution.

4.3 One hundred and twenty (120) days following the distribution, all approved final fees and expenses shall be paid, all outstanding checks shall be voided, and any remaining funds shall be paid to the Commission for transfer to the United States Treasury upon receipt of written instructions by the Distribution Agent.

ARTICLE V

WRAP-UP AND WIND DOWN OF DISTRIBUTION

5.1 The Distribution Agent will destroy all documents, including documents in any media, six years after the transfer of any remaining funds to the Commission. In addition, the

Distribution Agent will shut down the website established specifically for the administration of the Grifco Fair Fund six months after the transfer of any remaining funds to the Commission.

5.2 No further claims shall be made against the Grifco Fair Fund beyond the amount allocated to Eligible Claimants. Once the funds, if any, are returned to the Commission, no additional payments shall be made whatsoever.

5.3 Upon final distribution of the funds, the Distribution Agent shall make arrangement for the final payment of taxes and tax-related fees and shall submit a final accounting to the Court in an SEC standard accounting format provided by the staff of the Commission. The Grifco Fair Fund shall be eligible for termination, and the Distribution Agent eligible for discharge, after all of the following have occurred: (1) the final accounting has been submitted and approved by the Court, (2) all taxes and fees have been paid, and (3) all remaining funds or any residual have been paid to the Commission for transfer to the United States Treasury.

ARTICLE VI

RESPONSIBILITIES OF THE TAX ADMINISTRATOR

6.1 The Grifco Fair Fund is a "Qualified Settlement Fund" within the meaning of the regulations issued under Section 468B(g) of the Internal Revenue Code of 1986, as amended. The Tax Administrator is the administrator of such Qualified Settlement Fund, for purposes of Treas. Reg. § 1.468B-2(k)(3)(I), and shall satisfy the tax related administrative requirements imposed by Treas. Reg. § 1.468B-2, including, but not limited to:

- (a) Obtaining a taxpayer identification number;
- (b) Timely requests for funds necessary for the timely paying of all applicable taxes, the timely payment of taxes for which the Tax Administrator has received funds, and the filing of applicable returns; and

- (c) Fulfilling any information reporting or withholding requirements required for distributions from the Grifco Fair Fund.

6.2 The Distribution Agent shall cooperate with the Tax Administrator in providing any information necessary to ensure income tax compliance.

ARTICLE VII

PAYMENT OF COSTS, FEES, AND TAXES, AND FILING OF REPORTS AND ACCOUNTINGS

7.1 All taxes and the reasonable costs and fees of the Tax Administrator, Distribution Agent, third-party professionals and service providers incurred in the performance of its duties, will be paid from the Grifco Fair Fund, subject to the review and approval of the Court.

7.2 The Distribution Agent shall file with the Court a progress report, pursuant to and in a format to be provided by the Commission staff, within forty-five (45) days of the entry of this Distribution Plan, and shall file additional reports within twenty (20) days after the end of every quarter thereafter, and a final report when its duties are completed. The Distribution Agent shall serve a copy of all such reports on counsel for the Commission.

7.3 The progress reports shall inform the Court and the staff of the Commission of the activities and status of the Grifco Fair Fund during the requested reporting period, and shall:

- (a) Specify, at a minimum, the location of the account(s) comprising the Grifco Fair Fund; and
- (b) Include, among other things, an interim accounting of all monies in the Grifco Fair Fund as of the most recent month-end, including the value of those accounts, all monies earned or received into these accounts, monies expended from the Grifco Fair Fund to satisfy any fees, costs, taxes, and other expenses incurred in

the implementation and administration of this Distribution Plan, and funds distributed to Eligible Claimants under this Distribution Plan.

7.4 The final report shall include, among other things, a final accounting of all monies received, earned, spent, and distributed in connection with the administration of the Distribution Plan, and a request for approval of any unpaid fees and costs.

7.5 The Clerk of the Court shall provide the Distribution Agent with any account information relating to funds held in the Golden State CRIS Account that may be required for the progress and final reports, including providing copies of any account statements that the Distribution Agent may request.

ARTICLE VIII

OTHER RIGHTS AND POWERS

8.1 The Distribution Agent is entitled to rely on all outstanding rules of law and court orders, and shall not be liable to anyone for any action taken or omitted by him in connection with this Distribution Plan, except upon a finding by this Court of misfeasance, gross negligence, or reckless disregard of duty under this Distribution Plan.

8.2 The Distribution Agent is authorized to enter into agreements with financial institutions ("Institutions") as may be appropriate or necessary in the administration of the Grifco Fair Fund, provided that such Institutions are not excluded pursuant to other provisions of this Distribution Plan. In connection with such agreements, the Institutions shall be deemed to be agents of the Distribution Agent under this Distribution Plan.

8.3 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.

8.4 The Court reserves the right to amend this Distribution 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 this Distribution Plan.

ATTACHMENT A

PLAN OF ALLOCATION

Common Stock

For shares of Grifco International, Inc. ("Grifco") common stock that were *purchased on January 1, 2005 through December 14, 2006* ("Recovery Period") and:

- (a) Sold on or before June 12, 2005, the Recognized Loss (or Gain) per Share is zero (0).
- (b) Sold between June 13, 2005 and December 14, 2006, the Recognized Loss (or Gain) per Share is equal to the purchase price less the sales price.
- (c) Retained as of December 14, 2006, the Recognized Loss (or Gain) per Share is equal to the purchase price less \$0.048 (the closing price on December 14, 2006).

Specifically, for each investor who held shares of Grifco as of the beginning of the Recovery Period or made multiple purchases or sales during the Recovery Period, the first-in, first-out ("FIFO") method will be applied to such holdings, purchases and sales. Under the FIFO method, sales of shares during the Recovery Period will be matched, in chronological order, first against shares held at the beginning of the Recovery Period. The remaining sales of shares during the Recovery Period will then be matched, in chronological order, against shares purchased during the Recovery Period. The date of acquisition or sale is the "contract" or "trade" date as distinguished from the "settlement" date.

The Eligible Loss Amount shall be determined by aggregating the Recognized Loss (or Gain) per Share for all transactions which occurred during the Recovery Period. An investor will be eligible to receive a distribution not to exceed the overall net loss, after all profits from transactions in Grifco common stock during the Recovery Period are subtracted from losses. Payments to Eligible Claimants will reflect their pro rata share of the Available Distribution.