

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-21586

In the Matter of	:	
	:	
	:	PLAN OF DISTRIBUTION
Legacy Hospitality II, LLC,	:	
Legendary Capital REIT III, LLC,	:	
and Corey R. Maple,	:	
	:	
Respondents.	:	
	:	

I. OVERVIEW

1. The Division of Enforcement has submitted this Plan of Distribution (the “Plan”) to the United States Securities and Exchange Commission (the “Commission”) pursuant to Rule 1101 of the Commission’s Rules on Fair Fund and Disgorgement Plans (the “Commission’s Rules”), 17 C.F.R. § 201.1101. This Plan provides for the distribution of a Fair Fund (the “Fair Fund”) comprised of disgorgement, prejudgment interest, and civil money penalties paid by Legacy Hospitality II, LLC (“Legacy”), Legendary Capital REIT III, LLC (“Legendary”), and Corey R. Maple (“Maple”) (collectively, the “Respondents”) in the above-captioned matter.¹

2. As described more specifically below, the Plan seeks to compensate investors who were harmed by the Respondents’ conduct described in the Order, in connection with improperly allocated expenses. Based on information obtained by the Commission staff during its investigation and the review and analysis of applicable records, the Commission staff has reasonably concluded that it has all records necessary to calculate each investor’s harm. As a result, the Fair Fund is not being distributed according to a claims-made process, so procedures for making and approving claims in accordance with Rule 1101(b)(4) of the Commission’s Rules, 17 C.F.R. § 201.1101(b)(4), are not applicable.

3. As calculated using the methodology detailed in the Plan of Allocation (attached as Exhibit A), investors will be compensated for their losses from the improperly allocated expenses charged to Lodging Opportunity Fund Real Estate Investment Trust (“Fund 2”) from June 1, 2014, through May 31, 2020 (the “Fund 2 Relevant Period”) and Lodging Fund REIT III, Inc. (“Fund 3”) from September 30, 2018, through December 31, 2018 (the “Fund 3 Relevant Period”) (each referenced hereinafter, individually, as the “Fund” and collectively, as the “Funds”).

¹ See Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings and Imposing a Cease-and-Desist Order, Securities Act. Rel. No. 11227 (Aug. 28, 2023) (the “Order”).

4. In the view of the Commission staff, this methodology constitutes a fair and reasonable allocation of the Fair Fund.

5. The Commission has custody of the Fair Fund and shall retain control of the assets of the Fair Fund. The Plan has been approved by the Commission, and the Commission retains jurisdiction over its implementation.

II. BACKGROUND

6. On August 28, 2023, the Commission issued the Order instituting and simultaneously settling cease-and-desist proceedings against the Respondents. In the Order, the Commission found that from 2014 to 2020, Respondents improperly directed two Real Estate Investment Trusts to reimburse Legacy and Legendary for approximately \$5 million in overhead expenses in a manner that was inconsistent with disclosures made to investors. The Order further found that Maple exercised decision-making authority over the allocation of expenses. The Commission ordered the Respondents to pay a total of \$2,746,900.00 in disgorgement, \$544,444.17 in prejudgment interest, and \$1,475,000.00 in civil money penalties, for a collective total of \$4,766,344.17, to the Commission. The Commission also created the Fair Fund, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so the penalties collected, along with the disgorgement and interest collected, can be distributed to harmed investors.

7. The Respondents have paid in full. The Fair Fund has been deposited in a Commission-designated account at the United States Department of the Treasury (the “Treasury”), and any accrued interest will be added to the Fair Fund.

III. DEFINITIONS

As used in this Plan, the following definitions will apply:

8. “**Administrative Costs**” means any administrative costs and expenses, including without limitation tax obligations, the fees and expenses of the Tax Administrator and the Fund Administrator, bond premium expenses, and investment and banking costs.

9. “**Certification Date**” means the date established in accordance with this Plan by which a Preliminary Claimant’s Certification Form must be postmarked or submitted electronically in order to be eligible to participate in this distribution. The Certification Date shall be 60 days from the mailing of the Plan Notice.

10. “**Certification Form**” means the form that will be emailed or mailed to each Preliminary Claimant. The Certification Form will require confirmation of the name and mailing address of the payee to which a Distribution Payment should be issued, tax identification and other related information from the Preliminary Claimant as determined necessary by the Fund Administrator in coordination with the Tax Administrator, and a certification that the Preliminary Claimant is not an Excluded Party.

11. **“Determination Notice”** means the notice sent by the Fund Administrator within forty-five (45) days of the Certification Date to all Preliminary Claimants that submitted a deficient Certification Form. The Determination Notice will provide to each Preliminary Claimant whose Certification Form is deficient, in whole or in part, the reason(s) for the deficiency and in the event the claim is denied, the Determination Notice will state the reason(s) for such denial. The Determination Notice will also notify the Preliminary Claimant of the opportunity to cure any deficiency, request reconsideration, or dispute the determination made by the Fund Administrator and provide instructions regarding what is required to do so.

12. **“Distribution Payment”** means a payment from the Fair Fund to a Payee in accordance with the terms of this Plan.

13. **“Eligible Claimant”** means a Preliminary Claimant, who is determined to have suffered a Recognized Loss pursuant to the Plan of Allocation, and who is not an Excluded Party or an Unresponsive Preliminary Claimant.

14. **“Excluded Party”** shall mean: (a) the Respondents, and Respondents’ advisers, agents, directors, founders, employees, nominees, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities; (b) the Fund Administrator, its employees, and those Persons assisting the Fund Administrator in its role as the Fund Administrator; and (c) any purchaser or assignee of another Person’s right to obtain a recovery from the Fair Fund for value; provided, however, that this provision shall not be construed to exclude those Persons who obtained such a right by gift, inheritance or devise.

15. **“Fair Fund”** means the fund created by the Commission pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, for the benefit of investors harmed by Respondents’ violations described in the Order.

16. **“Final Determination Notice”** means the written notice sent by the Fund Administrator to (a) all Preliminary Claimant who timely submitted a Certification Form notifying the Preliminary Claimant of the Fund Administrator’s eligibility determination; (b) any Preliminary Claimant who timely submitted a written dispute of his, her or its calculated Recognized Loss notifying the Preliminary Claimant of its resolution of the dispute; and (c) those Preliminary Claimants who have not responded to the Plan Notice by returning a Certification Form and/or other requested documentation notifying the Preliminary Claimant that he, she or it has been deemed an Unresponsive Preliminary Claimant or an Excluded Party and is not eligible for a distribution. The Fund Administrator will not send a Final Determination Notice to a Preliminary Claimant, if his, her or its Plan Notice was returned as “undeliverable.” The Final Determination Notice will constitute the Fund Administrator’s final ruling regarding the eligibility status and loss calculation and is not subject to appeal.

17. **“Fund 2”** means the Lodging Opportunity Fund Real Estate Investment Trust.

18. **“Fund 3”** means the Lodging Fund REIT III, Inc.

19. **“Fund 2 Relevant Period”** is from June 1, 2014, through May 31, 2020.

20. **“Fund 3 Relevant Period”** is from September 30, 2018, through December 31, 2018.

21. **“Net Available Fair Fund”** means the Fair Fund, plus any interest or earnings, less Administrative Costs.

22. **“Payee”** means an Eligible Claimant whose distribution amount is equal to or greater than \$20.00, as calculated in accordance with the Plan of Allocation, who will receive a Distribution Payment.

23. **“Person”** means natural individuals as well as legal entities such as corporations, partnerships, or limited liability companies.

24. **“Plan Notice”** means the written notice from the Fund Administrator to each Preliminary Claimant regarding the Commission’s approval of the Plan, including, as appropriate: a statement characterizing the distribution; a link to the approved Plan posted on the Commission’s website and instructions for requesting a copy of the Plan; the Certification Form, along with specification of any information needed from the Preliminary Claimant to prevent him, her, or it from being deemed an Unresponsive Preliminary Claimant; his, her or its preliminary Recognized Loss; a description of the tax information reporting and other related tax matters; the procedure for the distribution as set forth in the Plan; and the name and contact information for the Fund Administrator as a resource for additional information or to contact with questions regarding the distribution.

25. **“Plan of Allocation”** means the methodology used by the Fund Administrator to calculate if a Preliminary Claimant has suffered a Recognized Loss. The Plan of Allocation is attached as Exhibit A.

26. **“Preliminary Claimant”** means a Person, or their lawful successors, identified by the Fund Administrator based on its review and analysis of applicable records obtained by the Commission staff during its investigation, who may have suffered a loss as a result of improper allocated expenses charged to Fund 2 and/or Fund 3 during the respective Relevant Periods; or those Persons who request a Plan Notice as described in paragraph 46 that are determined by the Fund Administrator to have suffered a loss as a result of improper allocated expenses charged to the Funds during the respective Fund’s Relevant Period.

27. **“Recognized Loss”** means the amount of loss calculated in accordance with the Plan of Allocation.

28. **“Unresponsive Preliminary Claimant”** means a Preliminary Claimant whose address and/or email the Fund Administrator has not been able to verify; or a Preliminary Claimant who does not timely return the Certification Form or respond to the Fund Administrator’s attempts to obtain information, including any information sought in the Plan Notice and Certification Form. Unresponsive Preliminary Claimants will not be eligible for a distribution under the Plan.

IV. TAX COMPLIANCE

29. On January 6, 2025, the Commission appointed Heffler, Radetich & Saitta, LLP as the tax administrator (the “Tax Administrator”) for the Fair Fund to handle the tax obligations of the Fair Fund.² The Tax Administrator will be compensated for reasonable fees and expenses from the Fair Fund in accordance with its 2025 Engagement Letter Agreement with the Commission.³

30. The Fair Fund constitutes a Qualified Settlement Fund (“QSF”) under Section 468B(g) of the Internal Revenue Code of 1986, as amended, 26 U.S.C. § 468B(g), and related regulations, 26 C.F.R. §§ 1.468B-1 through 1.468B-5. The Tax Administrator is the administrator of such QSF 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) Requesting funds necessary for the timely payment of all applicable taxes, the 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 imposed on distributions from the Fair Fund, including but not limited to Foreign Account Tax Compliance Act (FATCA).

31. All tax obligations will be paid from the Fair Fund, subject to the review and approval of Commission staff.

V. FUND ADMINISTRATOR

32. On April 25, 2025, the Commission appointed Simpluris Inc., as the fund administrator for the Fair Fund (the “Fund Administrator”), and the Fund Administrator has obtained a bond in the amount of \$4,766,344.17, as ordered.⁴ Pursuant to Rule 1105(a) of the Commission’s Rules, 17 C.F.R. § 201.1105(a), the Fund Administrator may be removed at any time by order of the Commission or hearing officer.

33. The Fund Administrator will be responsible for administering the Fair Fund in accordance with the Plan.

² See Order Appointing Tax Administrator, Exchange Act Rel. No. 102128 (Jan. 6, 2025).

³ See Omnibus Order Extending the Engagement of Two Tax Administrators for Appointment on a Case-by-Case Basis in Administrative Proceedings that Establish Distribution Funds, Exchange Act Rel. No. 101986 (Dec. 19, 2024).

⁴ See Order Appointing Fund Administrator, Setting Administrator's Bond Amount, and Authorizing the Approval and Payment of the Fees and Expenses of Administration, Exchange Act. Rel. No. 102936 (Apr. 25, 2025).

34. To carry out the purposes of this Plan, the Fund Administrator is authorized to make and implement immaterial changes to the Plan upon agreement of the Commission staff. If a change is deemed to be material by the Commission staff, Commission approval is required prior to implementation by amending the Plan.

35. The Fund Administrator may extend any procedural deadline contained in the Plan for good cause shown, if agreed upon by the Commission staff.

36. When administering this Plan, the Fund Administrator, and/or each of its designees, agents and assigns, may rely on: all applicable law; orders issued by the Commission, including orders issued by delegated authority; orders issued by an administrative law judge, if any, appointed in this proceeding; and any records, including records containing investor information, provided by Commission staff.

37. The Fund Administrator is authorized to enter into agreements with third parties as may be appropriate or necessary in the administration of the Fair Fund, provided such third parties are not excluded pursuant to other provisions of this Plan. In connection with such agreements, the third parties shall be deemed to be agents of the Fund Administrator under this Plan.

38. The Fund Administrator will be entitled to payment from the Fair Fund of reasonable fees and expenses, including the bond premium, incurred in the performance of its duties (including any such fees and expenses incurred by agents, consultants or third parties retained by the Fund Administrator in furtherance of its duties).

39. The Fund Administrator will have the authority, in its sole discretion, to waive technical deficiencies and approve claims on a case-by-case basis, or in groups of claims. All determinations made by the Fund Administrator in accordance with the Plan in any dispute, request for reconsideration, or request to cure a deficient claim will be final and not subject to appeal.

VI. PLAN PROCEDURES

Specification of Preliminary Claimants

40. Using information obtained during its investigation, the Commission has identified the Preliminary Claimants. Preliminary Claimants are limited to only those Persons who may have suffered a loss as a result of improperly allocated expenses charged to Fund 2 and/or Fund 3 during the respective Relevant Periods.

Procedures for Locating and Notifying Preliminary Claimants

41. Within forty-five (45) days of Commission approval of the Plan, the Fund Administrator will:

- (a) Establish and maintain a website, www.LegacyHospitalityFairFund.com, devoted solely to the Fair Fund. The Fair Fund's website will make available a copy of the approved Plan, include a copy of the Plan Notice and Certification Form, and related materials in downloadable form, and such other information that the Fund Administrator believes will be beneficial to Preliminary Claimants;
- (b) Establish and maintain a toll-free telephone number, 866-675-3042, for Preliminary Claimants to call and speak to a live representative of the Fund Administrator during its regular business hours or, outside of such hours, to hear pre-recorded information about the Fair Fund;
- (c) Establish and maintain a traditional mailing address, P.O. Box 25203, Santa Ana, CA 92799, and an email address, info@LegacyHospitalityFairFund.com, which will be listed on all correspondence from the Fund Administrator to Preliminary Claimants as well as on the Fair Fund's website;
- (d) Establish and maintain a case specific database of all Preliminary Claimants based upon information provided to and obtained by the Fund Administrator, including their last known physical and email addresses;
- (e) Run a National Change of Address search to retrieve updated addresses for all records in the database, thereby ensuring the mailing information for Preliminary Claimants is up-to-date; and
- (f) Send a Plan Notice and Certification Form to each Preliminary Claimant's last known email address (if known) and/or mailing address.

42. The Commission staff retains the right to review and approve any material posted on the Fair Fund's website, any communication with investors, and any scripts used in connection with communications with investors.

Undeliverable Mail

43. The Fund Administrator will attempt to locate any Preliminary Claimant whose mailing is returned as undeliverable by the U.S. Postal Service or otherwise, including an advanced address search using commercially available resources, if feasible, and will document all such efforts. If another address is obtained, the Fund Administrator will then resend it to the Preliminary Claimant's new address within ten (10) days of receipt of the returned mail. If the mailing is returned again, and the Fund Administrator, despite best practicable efforts, is unable to find a Preliminary Claimant's correct address, the Fund Administrator, in its discretion, may deem such Preliminary Claimant an Unresponsive Preliminary Claimant.

44. The Fund Administrator, with Commission staff approval, may engage a third party search firm to conduct more rigorous searches for Persons whose mailings are returned as undeliverable.

45. Any Preliminary Claimant who relocates or otherwise changes contact information after receipt of the Plan Notice must promptly communicate any change in address or contact information to the Fund Administrator.

Procedures to Request Plan Notice

46. Any Person who does not receive a Plan Notice and Certification Form, as described in paragraph 41, but who is aware of this Plan (e.g., through other Preliminary Claimants or on www.sec.gov) and believes they should be included as a Preliminary Claimant should contact the Fund Administrator within sixty (60) days from the approval of the Plan to establish that they should be considered a Preliminary Claimant. Such Person should include with that communication, documentation sufficient to support their claim that they should be considered a Preliminary Claimant, as well as contact information (physical address, telephone number, and email address, if available) for responsive communications. The Fund Administrator will send the Person a Plan Notice and Certification Form within fifteen (15) days of receiving the Person's documentation, if the Fund Administrator determines that the Person should be classified as a Preliminary Claimant.

Certification Requirement and Failure to Respond to Plan Notice

47. In order to maintain classification as a Preliminary Claimant, a completed Certification Form, together with any supporting documentation as requested in the Plan Notice, must be signed by the Preliminary Claimant under penalty of perjury under the laws of the United States and returned to the Fund Administrator by the Certification Date. The Certification Form must be executed by the Preliminary Claimant, unless the Fund Administrator, in its discretion, accepts such Certification Form from a successor, heir, administrator, or other Person authorized to act on the Preliminary Claimant's behalf. Those authorized to act on behalf of the Preliminary Claimants will be eligible to participate in the distribution to the same extent the original investor would have been eligible under the terms of the Plan.

48. The Fund Administrator will review all Certification Forms. Each Preliminary Claimant will have the burden of proof to establish his, her, or its identity as a Preliminary Claimant, or his, her, or its successor. The Fund Administrator will have the right to request, and the Preliminary Claimant will have the burden of providing to the Fund Administrator, any additional information and/or documentation deemed relevant by the Fund Administrator.

49. If a Preliminary Claimant fails to return the Certification Form and/or any requested tax forms, as requested in the Plan Notice, by the Certification Date, the Fund Administrator will make no fewer than two (2) attempts to contact the Preliminary Claimant by telephone or email, if known to the Fund Administrator. The second attempt will in no event take place more than ninety (90) days from the initial mailing of the Plan Notice. If a

Preliminary Claimant fails to respond to the Fund Administrator's contact attempts as described in this paragraph, the Fund Administrator, in its discretion, may deem such Preliminary Claimant an Unresponsive Preliminary Claimant.

50. The Fund Administrator has the authority, in their sole discretion, to waive technical deficiencies in the Certification Form.

Review of Certification Forms and Deficiency Process

51. The Fund Administrator will provide a Determination Notice within forty-five (45) days of the Certification Date to each Preliminary Claimant whose Certification Form is deficient, in whole or in part. The Determination Notice will provide the reason(s) for the deficiency (e.g., failure to provide required information). In the event the claim is denied, in whole or in part, the Determination Notice will state the reason(s) for such denial. The Determination Notice will also notify the Preliminary Claimant of the opportunity to cure any deficiency, request reconsideration, or dispute the determination made by the Fund Administrator and provide instructions regarding what is required to do so.

52. Any Preliminary Claimant with a deficient claim will have thirty (30) days from the date of the Determination Notice to cure any deficiencies identified in the Determination Notice.

53. Any Preliminary Claimant seeking reconsideration of a denied claim must advise the Fund Administrator in writing within thirty (30) days of the date of the Determination Notice. All requests for reconsideration must include the necessary documentation to substantiate the basis upon which the Preliminary Claimant is requesting reconsideration of his, her, or its claim.

Dispute Process

54. Disputes will be limited to the Preliminary Claimant's calculated Recognized Loss. If a Preliminary Claimant disagrees with the Recognized Loss listed in the Plan Notice, such dispute must be detailed on the Certification Form and returned to the Fund Administrator along with any supporting documentation by the Certification Date. The Fund Administrator will investigate the dispute, and such investigation will include a review of the written dispute as well as any supporting documentation.

Final Determination Notices

55. The Fund Administrator will make their final eligibility determination only after investigating any disputes indicated on the Certification Forms regarding the Recognized Losses listed in the Plan Notices.

56. Within one hundred twenty (120) of the Certification Date, the Fund Administrator will send a Final Determination Notice to (a) all Preliminary Claimant who timely submitted a Certification Form notifying the Preliminary Claimant of the Fund Administrator's eligibility determination; (b) any Preliminary Claimant who timely submitted a written dispute of his, her or its calculated Recognized Loss as described in paragraph 54, notifying the Preliminary

Claimant of its resolution of the dispute; and (c) those Preliminary Claimants who have not responded to the Plan Notice by returning a Certification Form and/or other requested documentation as described in paragraph 47, notifying the Preliminary Claimant that he, she or it has been deemed an Unresponsive Preliminary Claimant or an Excluded Party and is not eligible for a distribution. The Fund Administrator will not send a Final Determination Notice to a Preliminary Claimant, if his, her or its Plan Notice was returned as “undeliverable.” The Final Determination Notice will constitute the Fund Administrator’s final ruling regarding the status of the claim and is not subject to appeal.

Distribution Methodology

57. The Fund Administrator will calculate each Preliminary Claimant’s Recognized Loss in accordance with the Plan of Allocation. All Preliminary Claimants who are determined to have a Recognized Loss, and who are not deemed an Excluded Party or an Unresponsive Preliminary Claimant will be deemed an Eligible Claimant. All Eligible Claimants whose distribution amount is equal to or greater than \$20.00, as calculated in accordance with the Plan of Allocation, will be deemed a Payee and receive a Distribution Payment.

Establishment of a Reserve

58. Before determining the amount of funds available for distribution and calculating each Payee’s Distribution Payment, the Fund Administrator, in conjunction with the Tax Administrator, will establish a reserve to pay Administrative Costs and to accommodate any unexpected expenditures (the “Reserve”).

59. After all Distribution Payments are made and Administrative Costs paid, any remaining amounts in the Reserve will become part of the Residual described in paragraph 80.

Preparation of the Payment File

60. Within two hundred eighty (280) days of Commission approval of the Plan, the Fund Administrator will compile and send to the Commission staff the Payee information, including the name, address, calculated Recognized Loss, and the amount of the Distribution Payment for all Payees (the “Payee List”). The Fund Administrator will also provide a Reasonable Assurances Letter to the Commission staff, representing that the Payee List: (a) was compiled in accordance with the approved Plan; (b) is accurate as to Payees’ names, addresses, Recognized Losses and amounts of their Distribution Payment; (c) includes the number of Payees compensated; (d) the percentage of the Payee’s Recognized Loss being compensated by the disbursement from the Fair Fund, and if applicable, the total percentage to include all prior disbursements; (e) the total amount of funds to be disbursed, and if applicable, the total amount of such funds to be withheld pursuant to paragraph 70; and (f) provides all information necessary to make a payment to each Payee.

The Escrow Account

61. Prior to the disbursement of funds from the Net Available Fair Fund, the Fund

Administrator will establish an escrow account (the “Escrow Account”) with a United States commercial bank that is a well-capitalized financial institution as defined by the Federal Reserve Act, Subpart D, 12 C.F.R. § 208.43 and that is not unacceptable to the Commission staff (the “Bank”), pursuant to an escrow agreement (the “Escrow Agreement”) to be provided by Commission staff.

62. The Fund Administrator, pursuant to the Escrow Agreement, shall also establish with the Bank a separate deposit account (e.g., controlled distribution account, managed distribution account, linked checking and investment account) (the “Distribution Account”), insured by the Federal Deposit Insurance Corporation (“FDIC”) up to the guaranteed FDIC pass through limit. The Distribution Account shall be linked with the Escrow Account and shall be named, and records maintained, in accordance with the Escrow Agreement.

63. During the term of the Escrow Agreement, the portions of the Fair Fund transferred to the Escrow Account (the “Escrow Property”) shall be invested and reinvested in short-term U.S. Treasury securities backed by the full faith and credit of the United States Government or an agency thereof. The investment shall be, of a type and term necessary to meet the cash liquidity requirements for payments to Payees and Administrative Costs, including investment or reinvestment in a bank account insured by the FDIC up to the guaranteed FDIC limit, or in money market mutual funds registered under the Investment Company Act of 1940 that invest 100% of their assets in direct obligations of the United States Government.

64. The Fund Administrator shall provide duplicate original bank and/or investment statements on any accounts established by the Fund Administrator to the Tax Administrator on a monthly basis and shall assist the Tax Administrator in obtaining mid-cycle statements, as necessary.

65. The Fund Administrator, in consultation with the Commission staff, shall work with the Bank on an ongoing basis to deposit or invest funds in the Escrow and Distribution Accounts so as to result in the maximum reasonable net return, taking into account the safety of such deposits or investments and tax implications; and to determine an allocation of funds between the Escrow and Distribution Account.

66. All interest, dividends, and/or income earned by the Escrow Property will accrue for the benefit of the Escrow Property. All Administrative Costs associated with the Escrow and Distribution Accounts will be the responsibility of the Fund Administrator, who may be reimbursed for said costs as provided in this Plan. No such Administrative Costs may be paid to the Bank, its agents, and/or its affiliates from the Escrow Property.

Distribution of the Fair Fund

67. Upon the Commission’s staff’s receipt, review, and acceptance of the Payee List and Reasonable Assurances Letter from the Fund Administrator, the Commission staff will seek an order from the Commission pursuant to Rule 1101(b)(6) of the Commission’s Rules, 17 C.F.R. § 210.1101(b)(6), to disburse funds from the Net Available Fair Fund to the Bank in accordance with the Payee List for distribution by the Fund Administrator in accordance with the

Plan. All disbursements will be made pursuant to a Commission Order.

68. Upon issuance of an order to disburse, the Commission staff will direct the transfer of funds in accordance with the Payee List to the Bank. The Fund Administrator will then use its best efforts to commence mailing Distribution Payment checks and/or effect electronic payments within ten (10) business days of the release of the funds into the Escrow Account. All efforts will be coordinated to limit the time between the Escrow Account's receipt of the funds and the issuance of Distribution Payments.

69. All checks will be issued by the Fund Administrator from the Distribution Account. All checks will bear a stale date of ninety (90) days from the date of issuance. Reissuance of a check must be requested before the stale date, and such request is governed by paragraph 74.

70. All Distribution Payments will 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 Payee and that the Payee should consult his, her or its tax advisor for advice regarding the tax treatment of the distribution; however, any backup withholding required under IRC § 3406(a) and the regulations promulgated thereunder, or withholding required with respect to nonresident aliens ("NRAs") under Chapter 3 of the IRC, or FATCA-subject Payees under Chapter 4 of the IRC, will be withheld as required from the Distribution Payment and remitted to the Internal Revenue Service on the Payee's behalf; (c) a statement that checks will be void and cannot be reissued after ninety (90) days from the date the original check was issued; and (d) contact information for the Fund Administrator for questions regarding the Distribution Payment. The letter or other mailings to Payees characterizing a Distribution Payment will be prepared by the Tax Administrator and provided to the Commission staff for review and approval.

71. All Distribution Payments, either on their face or in the accompanying mailing, will clearly indicate that the money is being distributed from the Fair Fund established by the Commission to compensate investors for harm as a result of securities law violations.

72. At the discretion of the Fund Administrator, certain costs that were not factored into the Reserve, such as bank fees for the return of a payment, may reduce the Payee's Distribution Payment. In such situations, the Fund Administrator will immediately notify the Tax Administrator of the reduction in the Distribution Payment.

Post Distribution; Handing of Returned or Uncashed Checks; and Reissues

73. The Fund Administrator shall use its best efforts to make use of commercially available resources and other reasonably appropriate means to locate all Payees whose checks are returned to the Fund Administrator as "undeliverable." If new address information becomes available, the Fund Administrator will repackage the distribution check and send it to the new address. If new address information is not available after a diligent search (and in no event no later than ninety (90) days after the initial mailing of the original check) or if the distribution check is returned again, the check shall be voided, and at the discretion of the Fund

Administrator the Payee may be removed from the distribution and the allocated Distribution Payment will remain in the Fair Fund for distribution, if feasible, to the remaining Payees.

74. The Fund Administrator will reissue checks or electronic payments to Payees upon the receipt of a valid, written request from the Payee if prior to the initial stale date. In cases where a Payee is unable to endorse a Distribution Payment check as written (e.g., name changes, IRA custodian changes, or recipient is deceased) and the Payee or a lawful representative requests the reissuance of a Distribution Payment check in a different name, the Fund Administrator will request, and must receive, documentation to support the requested change. The Fund Administrator will review the documentation to determine the authenticity and propriety of the change request. If, in the discretion of the Fund Administrator, such change request is properly documented, the Fund Administrator will issue an appropriately redrawn Distribution Payment to the requesting party. Reissued checks will be void at the later of ninety (90) days from issuance of the original check or thirty (30) days from the reissuance, and in no event will a check be reissued after stale date of the original check without the approval of Commission staff.

75. The Fund Administrator will work with the Bank and maintain information about uncashed checks and any returned items due to non-delivery, insufficient addresses, and/or other deficiencies. The Fund Administrator is responsible for researching and reconciling errors and reissuing payments when possible. The Fund Administrator is also responsible for accounting for all payments. The amount of all uncashed and undelivered payments will continue to be held in the Fair Fund.

76. The Fund Administrator will make and document its best efforts to contact Payees to follow-up on the status of uncashed distribution checks over \$100 (other than those returned as “undeliverable”) and take appropriate action to follow-up on the status of uncashed checks at the request of Commission staff. The Fund Administrator may reissue such checks, subject to the time limits detailed herein. If a distribution check remains uncashed after the stale date the Fund Administrator will instruct the Bank to issue a stop payment on the distribution check. The Fund Administrator, in their discretion, may remove such Payee from the distribution, and the allocated Distribution Payment will remain in the Fair Fund for distribution, if feasible, to the remaining Payees.

Receipt of Additional Funds

77. Should any additional funds be received pursuant to Commission or Court order, agreement, or otherwise, prior to the Commission’s termination of the Fair Fund, such funds will be added to the Fair Fund and distributed, if feasible, in accordance with the Plan, pursuant to the Commission’s Rules.

Administrative Costs

78. All Administrative Costs will be paid from the Fair Fund in accordance with the Commission’s Rules. Upon completion of the final distribution, the Fund Administrator will make arrangements, in consultation with the Commission staff, for the final payment of all

Administrative Costs.

Disposition of Undistributed Funds

79. If funds remain following the initial distribution, the Fund Administrator, in consultation with the Commission staff, may seek subsequent distribution(s) of any available remaining funds, in a manner that is consistent with this Plan and in accordance with the Commission's Rules.

80. A residual within the Fair Fund will be established for any amounts remaining after the final disbursement to Payees from the Fair Fund (the "Residual"). The Residual may include funds from, among other things, amounts remaining in the Reserve, distribution checks that have not been cashed, checks or electronic payments that were not delivered or were returned to the Commission, and tax refunds due to the Fair Fund's overpayment of taxes or for waiver of IRS penalties.

81. Within one hundred eighty (180) days of the stale date of the distribution payments, the Fund Administrator, in consultation with the Commission staff, will determine whether further distribution of the Fair Fund to investors is feasible. Within ten (10) days of the determination that further distribution is infeasible, the Fund Administrator will direct the Bank to stop payment on all uncashed Distribution Payments, and within forty-five (45) days, the Fund Administrator will return any funds remaining in the Escrow and Distribution Accounts to the Commission to become part of the Residual.

82. All funds remaining in the Residual that are infeasible to distribute to investors will be returned to the Commission and transferred to the Treasury, subject to Section 21F(g)(3) of the Securities Exchange Act of 1934 (the "Exchange Act"), after the final accounting is approved by the Commission. Returning such money to the Respondents would be inconsistent with the equitable principle that no Person should profit from their wrongdoing. Therefore, in these circumstances distributing disgorged funds to the Treasury is the most equitable alternative.

Filing of Reports and Accountings

83. In accordance with Rule 1105(f) of the Commission's Rules, during the first ten (10) days of each calendar quarter after funds have been transferred to the Bank, the Fund Administrator shall file with the Commission, on a standardized accounting form provided by the Commission staff, an accounting of all monies earned or received and all monies spent in connection with the administration of the Plan.

84. Upon completion of all distributions to Payees and the payment of all Administrative Costs pursuant to the procedures described above, the Fund Administrator will submit a final accounting for approval by the Commission on a standardized form provided by the Commission staff. The Fund Administrator will also submit a report to the Commission staff containing the final distribution statistics regarding distributions to individuals and entities, and such other information requested by the Commission staff.

Wind-down and Document Retention

85. The Fund Administrator will shut down the website, P.O. Box and customer service telephone line(s) established specifically for the administration of the Fair Fund upon the transfer of any remaining funds to the Commission as described in paragraph 81.

86. The Fund Administrator will retain all materials submitted by Preliminary Claimants in either paper or electronic form for a period of six (6) years from the date of approval of a final fund accounting. Materials maintained in electronic form must be accessible and readable for the duration of retention. Pursuant to the Commission staff's direction, the Fund Administrator will either turn over to the Commission or destroy all materials, including documents in any media, upon expiration of this period.

Termination of the Fair Fund

87. The Fair Fund will be eligible for termination and the Fund Administrator will be eligible for discharge after all of the following have occurred (a) a final accounting, in a standard accounting format provided by the Commission staff, has been submitted by the Fund Administrator and approved by the Commission; (b) all Administrative Costs have been paid; and (c) any amount remaining in the Fair Fund has been returned to the Commission for transfer to the Treasury. Once the Commission has approved the final accounting, the Commission staff will seek an order from the Commission authorizing: (a) the transfer of the Residual that is infeasible to return to investors, and any amounts returned to the Fair Fund in the future that is infeasible to return to investors, to the general fund of the Treasury, subject to Section 21F(g)(3) of the Exchange Act; (b) discharge of the Fund Administrator; (c) cancellation of the Fund Administrator's bond; and (d) termination of the Fair Fund.

88. Once the Fair Fund has been terminated and funds, if any, are transferred to the Treasury, no additional payments will be made whatsoever.

Exhibit A

PLAN OF ALLOCATION

This Plan of Allocation⁵ is designed to compensate investors based on the improperly allocated expenses charged to Lodging Opportunity Fund Real Estate Investment Trust (“Fund 2”) from June 1, 2014, through May 31, 2020 (the “Fund 2 Relevant Period”) and Lodging Fund REIT III, Inc. (“Fund 3”, together with Fund 2, the “Funds”) from September 30, 2018, through December 31, 2018 (the “Fund 3 Relevant Period”) due to the misconduct of the Respondents.

Based upon records obtained by the Commission during its investigation, the Commission has determined the amount of overhead expenses charged to the Funds that should have been paid by the advisors of the Funds (“Improper Expenses”) and has identified those investors, or their lawful successors, who may have suffered harm from paying the Improper Expenses. Investors who did not hold shares of Fund 2 or Fund 3 during their respective Relevant Periods, or who are an Excluded Party, are ineligible to recover under this Plan.

I. The Methodology

The Fund Administrator will calculate the amount of loss (“Recognized Loss”) for each Preliminary Claimant as follows:

- A. For each Fund in each calendar quarter of the Fund’s respective Relevant Period, the “Recognized Loss per Quarter” will be equal to the number of Fund shares held by the Preliminary Claimant at the end of the calendar quarter *divided by* the sum of the quarter-end holdings of the Fund of all Preliminary Claimants, then *multiplied by* the total amount of Improper Expenses charged to the Fund during the calendar quarter.
- B. If the Preliminary Claimant did not hold any shares in the Fund at the end of a calendar quarter, the Preliminary Claimant’s Recognized Loss per Quarter for that Fund in that calendar quarter will be \$0.00.
- C. The Preliminary Claimant’s “Fund 2 Recognized Loss” will be the sum of the Recognized Loss per Quarter across all calendar quarters of the Fund 2 Relevant Period, and the “Fund 3 Recognized Loss” will be calculated in a parallel fashion.
- D. If the Fund 2 Recognized Loss or the Fund 3 Recognized Loss calculates to a negative value that Fund’s Recognized Loss will be \$0.00.
- E. The Preliminary Claimant’s Recognized Loss will be the sum of his, her or its Fund 2 Recognized Loss and Fund 3 Recognized Loss.

⁵ All capitalized terms used herein but not defined shall have the same meanings ascribed to them in the Plan.

II. Becoming an Eligible Claimant

Any Preliminary Claimant who suffered a Recognized Loss pursuant to this Plan of Allocation, and who is not an Excluded Party or an Unresponsive Preliminary Claimant will be deemed an Eligible Claimant.

III. Allocation of Funds

Each Eligible Claimant's distribution amount will equal his, her, or its Recognized Loss, *plus* any "Reasonable Interest" awarded. The distribution amount will be subject to the "Offset for Prior Recovery" and "Minimum Distribution Amount" provisions below.

A. Offset for Prior Recovery

To avoid payment of a windfall, an Eligible Claimant's distribution amount will be no larger than his, her, or its Recognized Loss *minus* the amount of any compensation for the loss that resulted from the conduct described in the Order that was received from another source (e.g., class action settlement), to the extent known by the Fund Administrator ("Prior Recovery"), *plus* any Reasonable Interest awarded. That is, the distribution amount will be capped at the Recognized Loss *less* the Prior Recovery, *plus* any Reasonable Interest awarded.

B. Reasonable Interest

The Fund Administrator, in consultation with the Commission staff, may include interest in the distribution amount to compensate for the time value of money. Reasonable Interest will be calculated using the Short-term Applicable Federal Rate *plus* three percent (3%), compounded quarterly from the end of each quarter the Improper Expenses were charged for each of the Funds through the approximate date of the disbursement of the funds. If there are insufficient funds to pay Reasonable Interest in full to all Eligible Claimants, Reasonable Interest will be awarded on a *pro-rata* basis from the excess funds. If a *pro-rata* computation is needed, it will be calculated for each Eligible Claimant as the ratio of his, her or its Reasonable Interest amount to the sum of Reasonable Interest amounts of all Eligible Claimants.

C. Minimum Distribution Amount

The Minimum Distribution Amount will be \$20.00. An Eligible Claimant whose distribution amount is less than the Minimum Distribution Amount will be deemed ineligible and his, her, or its distribution amount may be reallocated on a *pro-rata* basis to Eligible Claimants whose distribution amounts are greater than or equal to the Minimum Distribution Amount.

D. Payee and Distribution Payment

An Eligible Claimant whose distribution amount equals or exceeds the Minimum Distribution Amount will be deemed a Payee, and will receive a Distribution Payment equal to his, her, or its calculated distribution amount.