

As a result of this conduct, the Commission found that the Respondents willfully violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder. The Commission ordered VCAP to pay disgorgement of \$1,064,555 and prejudgment interest of \$85,044, and Graham to pay disgorgement of \$118,284, prejudgment interest of \$9,449, and a civil money penalty of \$200,000. In addition, the Commission created a fair fund for the monies paid by Respondents pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended by the Dodd-Frank Act.

On or about March 2, 2015, the Respondents paid a total of \$1,477,332.00 pursuant to the Order (the “Fair Fund”). The Fair Fund is currently deposited in an interest bearing account at the United States Department of the Treasury. It is not anticipated that the Fair Fund will receive additional funds other than accrued interest. The assets of the Fair Fund are subject to the continuing jurisdiction and control of the Commission. The Distribution Plan is subject to approval by the Commission, and the Commission retains jurisdiction over implementation of the Distribution Plan.

Administration of the Distribution Plan

1. Purpose. The Distribution Plan has been developed pursuant to the Order and the SEC’s Rules on Fair Fund and Disgorgement Plans, 17 C.F.R. § 201.1100, *et seq.* (the “Rules”). The purpose of the Distribution Plan is to distribute the Fair Fund to the five CDO trusts harmed by Respondents’ misconduct (also referred to as the “Harmed Parties”).

2. Fund Administrator. Nancy Chase Burton, a Supervisory Assistant Chief Litigation Counsel, in the Division of Enforcement, is the fund administrator for the Distribution Plan (“Fund Administrator”). As a Commission employee, the Fund Administrator shall receive no compensation, other than her regular salary as a Commission employee, for her services in administering the Fair Fund. In accordance with Rule 1105(c), no bond is required since the Fund Administrator is a Commission employee.

The Fund Administrator will be responsible for, among other things: overseeing the administration of the Fair Fund, obtaining accurate mailing information for the eligible Harmed Parties, preparing accountings, cooperating with the Tax Administrator in providing the information necessary to accomplish income tax compliance, and distributing money from the Fair Fund in accordance with this Distribution Plan.

3. Tax Administrator. The Commission has appointed Damasco & Associates LLP as the Tax Administrator for the Fair Fund (the “Tax Administrator”) (Exchange Act Rel. No. 74508 (March 13, 2015)). The Fund Administrator will cooperate with the Tax Administrator in providing information necessary to accomplish the income tax compliance, ruling and advice work assigned to the Tax Administrator by the Commission. All taxes and the fees and expenses of the Tax Administrator shall be paid from the Fair Fund.

4. Qualified Settlement Fund. The Fair Fund constitutes a Qualified Settlement Fund (“QSF”) under Section 468B(g) of the Internal Revenue Code, 26 U.S.C. § 468B(g), and related regulations, 26 C.F.R. §§ 1.468B-1 through 1.468B-5.

Distribution Plan Procedures

5. No Claims Process. The Commission staff has identified all Harmed Parties and has calculated the payment due to each of them. The Fair Fund is not being distributed according to a claims-made process, so the procedures for providing notice and for making and approving claims are not applicable.

6. Methodology for Determining Distribution Amounts/Minimum Distribution. The amount of total disgorgement that the Commission ordered was equal to the sum of fees collected by VCAP for serving as liquidation agent in five separate CDO auctions conducted in 2012. Accordingly, each CDO trust will receive the amount of liquidation agent fees it paid to VCAP through the respective trustees. In addition, each CDO trust will receive interest on the fees paid. The interest will be determined pursuant to the Federal short term rate (as determined by the Internal Revenue Service pursuant to 26 US Section 6621(b)) and will be calculated from the fee invoice date for each Harmed Party through the date the Distribution Plan is approved. The Commission staff understands that three of the five CDO trusts still exist, and will distribute the corresponding share of the Fair Fund to each of the trustees for the three trusts. In addition, the Commission staff understands that two of the trusts have been dissolved. For the two dissolved trusts, the staff has identified the senior noteholders that received the proceeds of the trusts at the time of dissolution. The share of the Fair Fund for these two trusts will be distributed to those senior noteholders.

7. Locating and Notifying the Harmed Parties. The Commission staff has already identified the Harmed Parties and has calculated the distribution amount to be distributed to each Harmed Party. The Fund Administrator will provide each Harmed Party with (a) notification of the Distribution Plan, (b) the proposed amount of the Fair Fund to be paid to the Harmed Party, and (c) a description of the methodology used to calculate the distribution allocation. The Fund Administrator will provide such notice by United States Postal Service and will request at that time from the Harmed Party information necessary to accomplish the distribution, including confirmation of (i) social security and tax identification number(s), (ii) the payment address, and (iii) contact information. If the Harmed Party fails to respond to such notice within twenty-one (21) days from the mailing of the notice, the Fund Administrator will send a second written notice by mail. If the Harmed Party fails to respond to the second notice within twenty-one (21) days, the Fund Administrator will make two attempts to contact the Harmed Party telephonically. If an individual or entity believes it is a Harmed Party but has not received notice in the mail of their status, the individual or entity may contact the Fund Administrator in writing at the United States Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549-5631 within 60 days after Distribution Plan approval to confirm the individual or entity’s eligibility as a Harmed Party. Following an investigation of the inquiry, including a review of any supporting documentation, the Fund Administrator shall notify in writing the individual or entity submitting

the inquiry of the Fund Administrator's resolution as to their status as a Harmed Party and her decision will be final.

8. Checks/Electronic Transfers. The Fund Administrator will make a payment to each of the Harmed Parties. The Fund Administrator may elect to make payment of any distribution amount to a Harmed Party by check or electronic transfer. The payment will be preceded by or accompanied with a communication that includes, as appropriate: (a) a statement characterizing the distribution; (b) a description of the tax information reporting and other related tax matters; (c) a statement that checks will be void (non-negotiable) after one year; and (d) the name of a person to contact with questions concerning the distribution. Distribution checks, on their face, or in the accompanying communication will clearly indicate that the money is being distributed from a Fair Fund established by the Commission pursuant to the Order in this case. Checks that are not negotiated prior to the stale date shall be voided. Electronic payments will be made only to cash equivalent accounts (*e.g.*, checking or savings accounts).

9. Implementation of the Fair Fund. The disbursement to the Harmed Parties will be implemented through the United States Department of the Treasury's Bureau of the Fiscal Service ("BFS"), by electronically transferring funds through the Automated Clearing House ("ACH") or mailing a check to the payee. The Fund Administrator will compile the information necessary to make disbursements into a specified file format and submit this file to the appropriate Commission staff. Upon receipt of the payment file, the Commission staff will obtain authorization from the Commission to disburse pursuant to Commission Rule 1101(b)(6). When the file is approved and the order to disburse is entered, the Commission will transmit the payment file to BFS for the transfer of funds.

10. Returned Checks/Electronic Transfer Procedures. As soon as practicable, upon BFS's receipt of the payment file, payments will be made to Harmed Parties. The Fund Administrator will make best efforts to research and reconcile all errors that result in non-delivery and shall submit a supplemental file for payment of the returned items. The Fund Administrator will work with Commission staff to account for all payments. In the event that any distribution is in the form of a paper check in lieu of an electronic transfer, each check will state on its face that it is valid for one year.

11. Accounting. Once all payments are disbursed, the Fund Administrator will submit a final accounting on the standardized accounting form provided by the Commission staff for approval by the Commission prior to termination of the Fair Fund and discharge of the Fund Administrator.

12. Undisbursed Amounts. A residual account within the Fair Fund is established for any amounts remaining after all assets have been distributed. The residual account may include funds reserved for future taxes and related expenses, distributions from checks that have not been cashed, from checks that were not delivered or from funds returned to the Fund Administrator, tax refunds for overpayment or for waiver of IRS penalties. All undistributed funds in the

residual account will be transferred to the U.S. Treasury after the final accounting is approved by the Commission.

13. Termination of the Disgorgement Fund. Upon distribution of the Fair Fund, the Fund Administrator shall make arrangement for the final payment of taxes and Tax Administrator fees and expenses, and shall submit a final accounting to the Commission. The Fair Fund shall be eligible for termination, and the Fund Administrator shall be discharged, after all of the following have occurred: (a) a final accounting, in an SEC standard accounting format provided by the staff, has been submitted by the Fund Administrator for approval, and has been approved, by the Commission, and (b) all taxes, fees and expenses have been paid. After the Commission has approved the final accounting, the staff shall seek an order from the Commission to approve the transfer of any amount remaining in the Fair Fund to the U.S. Treasury, and to terminate the Fair Fund and discharge the Fund Administrator.

14. Fees and Expenses of Administration. Fees and other expenses of administering the Fair Fund shall be paid first from the interest earned on the funds, and if the interest is not sufficient, then from the corpus.

15. Amendments. The Fund Administrator shall take reasonable and appropriate steps to distribute the Fair Fund according to the Distribution Plan. Where the Fund Administrator deems necessary, after agreement with Commission staff, the Fund Administrator may implement immaterial changes to the Distribution Plan to effectuate its general purposes. If a change is deemed material by Commission staff, Commission approval is required prior to implementation by amending the Distribution Plan, which may be done upon the motion of any party, the Fund Administrator, or upon the Commission's own motion.

16. Deadline Extensions. The Fund Administrator may extend any procedural deadline contained in the Distribution Plan for good cause shown.