UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-17212

In the Matter of
LOGITECH INTERNATIONAL, S.A.,
MICHAEL DOKTORCZYK, and
SHERRALYN BOLLES, CPA,

Respondents.

PROPOSED PLAN OF DISTRIBUTION

Introduction

1. This proposed Plan of Distribution (the “Plan”) has been developed pursuant to Rule 1101 of the Commission’s Rules on Fair Fund and Disgorgement Plans (“Rules”), 17 C.F.R. § 201.1101. The Plan proposes a distribution of the funds collected in the above-referenced proceeding from Logitech International, S.A. (“Logitech”), Michael Doktorczyk (“Doktorczyk”), and Sherralyn Bolles, CPA (“Bolles”) (collectively, the “Respondents”) to investors who purchased shares of Logitech common stock on the Nasdaq Global Select Market at inflated prices during the period from May 28, 2011 through July 27, 2011, inclusive (“Recovery Period”), and who suffered losses in the value of their investment subsequent to disclosures by the Respondents.

Background

2. On April 19, 2016, the Securities and Exchange Commission (the “Commission”) issued an Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Cease-and-Desist Orders and Penalties (the “Order”)¹ against the Respondents. In the Order, the Commission found Logitech responsible for recurring instances of improper accounting between 2008 and 2013 related to a product write-down, warranty liabilities, and revenue recognition. The Commission further found Doktorczyk and Bolles, both former officers of Logitech, responsible for the improper accounting for warranty liabilities that occurred during their employment. The Commission ordered Logitech, Doktorczyk, and Bolles to pay civil money penalties of $7,500,000.00, $50,000.00, and $25,000.00, respectively. The Order provides that the Commission can distribute the civil money penalties if, in its discretion, it orders the establishment of a Fair Fund,

pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended (“Sarbanes-Oxley Act”). The Respondents have since paid in full and the Commission holds more than $7.575 million, comprised of the civil money penalties paid by the Respondents and accrued interest.

3. On February 27, 2018, the Commission established a Fair Fund, pursuant to Section 308(a) of the Sarbanes-Oxley Act, so that the $7.575 million in civil money penalties paid by the Respondents can be distributed for the benefit of the injured investors (the “Fair Fund”).

4. The Fair Fund is deposited in an interest-bearing account at the United States Treasury Department’s (“Treasury”) Bureau of the Fiscal Service (“BFS”). All BFS fees will be paid by the Fair Fund, first from the interest earned on the funds, and if the interest is not sufficient, from the corpus of the Fair Fund. The assets of the Fair Fund are subject to the continuing jurisdiction and control of the Commission. The Plan is subject to approval by the Commission, and the Commission retains jurisdiction over implementation of the Plan.

**Fund Administrator**

5. The Commission has appointed Garden City Group, LLC as the Fund Administrator (the “Fund Administrator”).

6. The Fund Administrator has obtained a bond in the manner prescribed by Rule 1105(c) of the Rules in the amount of $7,575,000. The bond premium will be paid from the Fair Fund, first from the interest earned on the funds, and if the interest is not sufficient, from the corpus of the Fair Fund.

7. The Fund Administrator will be responsible for administering the Fair Fund in accordance with the Plan. This will include, among other things, taking reasonable steps to identify and contact Potential Claimants (defined below); obtaining accurate mailing information for Potential Claimants; establishing a website and staffing a call center to address inquiries during the claims process; developing a claims database; preparing accountings; cooperating with the Tax Administrator (defined below) to ensure compliance with tax laws, rules, and regulations; advising Potential Claimants of claim deficiencies and providing an opportunity to cure any documentary defects; determining and ensuring compliance with all foreign jurisdiction requirements for serving notices and otherwise implementing the Plan; taking antifraud measures, such as identifying false, ineligible and overstated claims; making determinations under the criteria in the Plan as to Potential Claimant eligibility; advising Potential Claimants of final claim determinations; and disbursing the Fair Fund in accordance with the Plan.

8. All fees and expenses of the Fund Administrator will be paid by the Fair Fund, first from the interest earned on the funds, and if the interest is not sufficient, from the corpus of the Fair Fund. The Fund Administrator may submit an invoice for completed services to the

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Commission staff for filing with the Commission; upon approval of an application by the Commission, the Fund Administrator will be paid its reasonable fees and expenses for those services.

**Tax Administrator**

9. **Tax Administrator.** The Commission has appointed Miller Kaplan Arase LLP as the Tax Administrator for the Fair Fund (the “Tax Administrator”). The Tax Administrator is required to administer the Fair Fund as 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. The Tax Administrator is responsible for, among other things, all income tax related reporting requirements including the preparation and filing of tax returns.

10. The Tax Administrator will be compensated for reasonable fees and expenses from the Fair Fund in accordance with its Revised 2017-2018 Engagement Letter Agreement with the Commission. All taxes and the fees and expenses of the Tax Administrator will be paid by the Fair Fund, first from the interest earned on the funds, and if the interest is not sufficient, from the corpus of the Fair Fund.

**Definitions**

11. As used in the Plan, the following definitions apply:

(a) **Claim Deadline.** The date by which a Claim Form must be postmarked or, if not sent by U.S. Mail, received by the Fund Administrator to avoid the barring of any rights of a Potential Claimant to participate in the distribution of the Fair Fund. The Claim Deadline shall be one-hundred thirty-five (135) days after Plan approval. Claim Forms postmarked or, if not sent by U.S. Mail, received after the Claim Deadline will not be reviewed and evaluated.

(b) **Claim Form.** The form designed by the Fund Administrator and approved by Commission staff, for the filing of claims in accordance with the Plan. The Claim Form will require, at a minimum, sufficient documentation of transactions in the Security such that eligibility under the Plan can be determined, tax identification and related information from the Potential Claimant as determined necessary by the Fund Administrator in coordination with the Tax Administrator, and a certification that the Potential Claimant is not an Excluded Party. Claim Forms will be included in the Claims Packet mailed by the Fund Administrator to identified Potential Claimants, and will be available on the Fair Fund website described below, ¶ 13(d). Claimants may also request a Claim Form from the Fund Administrator via mail, email, or by calling the toll-free number established for the Fair Fund, all of which contact information will be set forth on the website.

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(c) **Claims Packet.** The materials relevant to submitting a claim that may be provided to identified Potential Claimants, including Potential Claimants who request such materials through a website or otherwise. The Claims Packet will include, at minimum, a copy of the Plan Notice and a Claim Form (together with instructions for completion of the Claim Form).

(d) **Deficiency Notice.** The notice sent by the Fund Administrator via United States First Class Mail to all Potential Claimants whose claims are deficient in one or more ways (e.g., failure to provide required information or documentation). The Deficiency Notice will advise the Potential Claimant of the reason(s) for the deficiency, notify the Potential Claimant of the opportunity to cure such deficiency, and provide instructions regarding what is required to do so. The Deficiency Notice shall be sent within sixty (60) days of the Claim Deadline. The deadline to cure deficiencies shall be thirty (30) days from the date of the Deficiency Notice.

(e) **Determination Notice.** The notice, sent by the Fund Administrator by United States First Class Mail to each Potential Claimant who submitted a Claim Form, setting forth the Fund Administrator’s conclusion concerning eligibility of such claim. In the event the claim is denied, the Determination Notice will state the reason(s) for such denial and notify the Potential Claimant of their opportunity to request reconsideration of their claim. The Determination Notices shall be mailed within one hundred twenty (120) days of the Claim Deadline.

(f) **Distribution Methodology.** The methodology used to determine eligibility and calculate Distribution Payments as set forth at ¶¶ 32 to 41.

(g) **Distribution Payment.** A payment to an Eligible Claimant in accordance with the Plan.

(h) **Eligible Claimant.** A Potential Claimant who is not an Excluded Party and who is determined by the Fund Administrator to be eligible under the Plan for a Distribution Payment.

(i) **Eligible Loss Amount.** For each Eligible Claimant, the sum of all Recognized Losses as calculated in accordance with ¶ 33.

(j) **Excluded Parties.** The Respondents and any assigns, heirs, spouses, parents, dependents or controlled entities of any of the Respondents; Eric K. Bardman and Jennifer F. Wolf, the Defendants in SEC v. Bardman, et al., Civ. Act. No. 3:16-2023 (N.D. Cal.), and any of their assigns, heirs, spouses, parents, dependents or controlled entities; and the Fund Administrator, its employees, and those persons assisting the Fund Administrator in its role as Fund Administrator. The Claim Form will require all Potential Claimants to certify that they are not an Excluded Party.
(k) *Net Fair Fund.* The assets of the Fair Fund, including investment income, less amounts expended or reserved for tax obligations and the fees and costs of administering the Fair Fund in accordance with the Plan.

(l) *Plan Notice.* A written notice from the Fund Administrator to Potential Claimants informing them of the Plan and its eligibility requirements, explaining how to submit a claim and how to obtain a copy of the approved Plan and Claim Form by request or from the Fair Fund website, and identifying ways to submit a claim.

(m) *Potential Claimants.* Individuals and entities, or their lawful successors, who purchased the Security on the Nasdaq Global Select Market during the Recovery Period.


(o) *Security.* Logitech common stock traded on the Nasdaq Global Select Market under the trading symbol LOGI.

(p) *Summary Notice.* The notice published in print or internet media pursuant to ¶13(i) below. Such notice (the text of which shall be approved by the staff of the Commission) shall include, at a minimum, a statement of the purpose of the Fair Fund and the Plan, the means of obtaining a Claim Packet, and the Claim Deadline.

**Identification of and Notification to Potential Claimants**

12. The Fund Administrator, as practicable, will use its best efforts to identify Potential Claimants from a review of trading records and account information provided by the transfer agent for Logitech, registered broker dealers, and any other sources available to it.

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

   (a) create a mailing and claim database of all Potential Claimants based upon information provided by the transfer agent for Logitech or otherwise obtained by the Fund Administrator;

   (b) run a National Change of Address search to retrieve updated addresses for all records in the database, thereby ensuring updated mailing information for Potential Claimants;

   (c) mail to each Potential Claimant identified by the Fund Administrator and to the Fund Administrator’s list of banks, brokers, and other nominees;
(d) establish and maintain a website dedicated to the Fair Fund. The Fair Fund’s website, located at www.LogitechFairFund.com, will make available a copy of the Claims Packet, the approved Plan, provide information regarding the claims process and eligibility requirements for participation in the Fair Fund in the form of frequently asked questions in downloadable format, and provide such other information that the Fund Administrator believes will be beneficial to Potential Claimants;

(e) establish a link to the Fair Fund’s website from its own website, located at www.choosegcg.com/cases-info;

(f) provide a copy of the approved Plan and Plan Notice to the Commission staff and request that the Commission staff establish a link to the Fair Fund’s website on the Commission webpage dedicated to this administrative proceeding, located at www.sec.gov/divisions/enforce/claims/logitech-bardman.htm;

(g) establish and maintain a traditional mailing address and an email mailing address, which will be listed on all correspondence from the Fund Administrator and posted on the Fair Fund’s website;

(h) establish and maintain a toll-free telephone number for Potential Claimants to call to speak to a representative of the Fund Administrator during its regular business hours or, outside of such hours, to hear prerecorded information about the Fair Fund. The Fund Administrator will advise the Commission staff of the toll-free number, post the number on the Fair Fund’s website, and include the number on all correspondence; and

(i) publish a copy of a Summary Notice, approved by Commission staff, in a manner and through media deemed appropriate by the Fund Administrator and acceptable to the Commission staff.

14. The Commission staff retains the right to review and approve any material posted on the Fair Fund’s website.


16. The Fund Administrator will promptly provide a Claims Packet to any Potential Claimant upon request made prior to the Claim Deadline.

17. The Fund Administrator will mail Plan Notices to the Fund Administrator’s list of banks, brokers, and other nominees, as well as any other institutions identified during the outreach process that may have records of Logitech shareholders and holdings at relevant times. The Fund Administrator will request that these entities, to the extent that they were record holders for beneficial owners of the Security:
(a) Notify the respective beneficial owners of receipt of the Plan Notice within fourteen (14) days of receipt of the Plan Notice so that beneficial owners may timely file a claim; and/or

(b) Provide to the Fund Administrator within fourteen (14) days of receipt of the Plan Notice a list of last known names and addresses for all beneficial owners for whom the record holders purchased the Security during the Recovery Period so that the Fund Administrator can communicate with them directly.

18. The Fund Administrator will attempt to locate any Potential Claimant whose mailing is returned as undeliverable by the U.S. Postal Service, including an advanced address search, if and as feasible, and will document all such efforts. The Fund Administrator shall immediately re-mail any returned undeliverable mail for which the U.S. Postal Service has provided a forwarding address. Additional efforts by the Fund Administrator to identify new addresses for returned undeliverable mail will be conducted as necessary and economically reasonable after consultation with the Commission staff. The Fund Administrator, with Commission staff approval, may engage a third-party search firm to conduct more rigorous searches for persons who mailing is returned as undeliverable; all such costs shall be paid by the Fair Fund, first from the interest earned on the funds, and if the interest is not sufficient, from the corpus of the Fair Fund.

Claims Process

19. In all materials that refer to the Claim Deadline, the Claim Deadline will be clearly identified as within 135 (one hundred thirty-five) days of Plan approval in accordance with ¶ 11(a), above. To avoid being barred from asserting a claim, each Potential Claimant must submit to the Fund Administrator a Claim Form reflecting such Potential Claimant’s claim postmarked or, if not sent by U.S. mail, received on or before the Claim Deadline. The burden will be on the Potential Claimant to ensure that his or her Claim Form has been properly and timely postmarked or, if not sent by U.S. Mail, received. A Claim Form that is postmarked or, if not sent by U.S. Mail, received after the Claim Deadline will not be accepted unless the deadline is extended by the Fund Administrator after consultation with the Commission staff. Any extension will be published on the Fair Fund website.

20. The burden to prove receipt of the claim by the Fund Administrator will be upon the Potential Claimant; therefore Potential Claimants will be instructed to submit their Claim Forms in a manner that will enable them to prove timely receipt of the Claim Form by the Fund Administrator.

21. Claim Forms must be properly filled out per the instructions provided by the Fund Administrator, and must be accompanied by such documentary evidence as the Fund Administrator deems necessary or appropriate to substantiate the claim. Without limitation, this information may include third-party documentary evidence of purchases and dispositions of the Security, as well as holdings of the Security, at relevant dates.
22. All claims and supporting documentation necessary to determine a Potential Claimant’s eligibility to receive a distribution from the Fair Fund under the terms of the Plan must be verified by a declaration executed by the Potential Claimant under penalty of perjury under the laws of the United States. The declaration must be executed by the Potential Claimant, unless the Fund Administrator accepts such declaration from someone authorized to act on the Potential Claimant’s behalf, whose authority is supported by such documentary evidence as the Fund Administrator deems necessary.

23. The Fund Administrator will review all claim submissions and determine the eligibility of each Potential Claimant to participate in the Fair Fund by reviewing claim data and supporting documentation (or lack thereof), verifying the claim, and calculating each Potential Claimant’s loss pursuant to the Plan. Each Potential Claimant will have the burden of proof to establish the validity and amount of his or her claim, and that they qualify as an Eligible Claimant, including the burden to certify that they are not an Excluded Party. The Fund Administrator will have the right to request, and the Potential Claimant will have the burden to promptly provide to the Fund Administrator, any additional information and/or documentation deemed relevant by the Fund Administrator. Any additional information supplied to the Fund Administrator must be postmarked or, if not sent by U.S. Mail, received no later than the deadline set for responses to a Deficiency Notice.

24. Potential Claimants will be able to contact the Fund Administrator via the toll-free telephone number, an email address, or using traditional mail to request copies of the Claim Form, ask questions about how to complete and file the Claim Form, and inquire about their claim.

25. The Fund Administrator will send a Deficiency Notice to each Potential Claimant that submitted a Claim Form whose claims are deficient. Any Potential Claimant with a deficient claim will have thirty (30) days from the date of the Deficiency Notice to cure any deficiencies identified in the Deficiency Notice; any submission postmarked or, if not sent by U.S. Mail, received more than thirty (30) days from the date of the Deficiency Notice will not be accepted.

26. Within one hundred twenty (120) days of the date of the Claim Deadline, the Fund Administrator will send a Determination Notice to all Potential Claimants who submitted a Claim Form. The Fund Administrator will consult with the Commission staff regarding claim rejections before the issuance of Determination Notices. Any Potential Claimant seeking reconsideration of a denial of claim must send a request for reconsideration (“Request for Reconsideration”) to 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 Potential Claimant is requesting reconsideration of their claim. Any request for reconsideration postmarked or, if not sent by U.S. Mail, received more than thirty (30) days from the date of the Determination Notice will not be accepted.

27. The Fund Administrator may, in its sole discretion, consider disputes of any nature presented by Potential Claimants, and will consult Commission staff as appropriate. The
Determination Notice will constitute the Fund Administrator’s final ruling regarding the status of the claim, unless the Potential Claimant is notified in writing that the determination has been revised in response to the Request for Reconsideration. Any such notice of reconsideration shall be sent by the Fund Administrator within sixty (60) days of the date of the Determination Notice.

28. The Fund Administrator will have the authority, in its sole discretion, to waive technical claim 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.

29. The Potential Claimant has the burden of notifying the Fund Administrator of a change in his or her current address and other contact information, and of ensuring that such information is properly reflected in the Fund Administrator’s records.

30. The recipient of Securities as a gift, inheritance, devise, or operation of law will be eligible to file a Claim Form and participate in the distribution of the Fair Fund to the extent the original purchaser would have been eligible under the terms of the Plan. Only one claim may be submitted with regard to the same transactions in the Security, and in cases where multiple claims are filed by the donor and donee, the donee claim will be honored assuming it is supported by proper documentation.

31. 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 administrator, custodian or fiduciary of the plan and not by the plan’s participants. The Fund Administrator will distribute any payments on such claims directly to the administrator, custodian, or fiduciary of the retirement plan. The custodian or fiduciary of the retirement plan will distribute any payments received in a manner consistent with its fiduciary duties and the governing account or plan provisions.

**Distribution Methodology**

32. This methodology is designed to compensate Eligible Claimants based on their losses from purchases of the Security on the Nasdaq Global Select Market during the Recovery Period due to the disclosures made by the Respondents. Potential Claimants who did not purchase the Security on the Nasdaq Global Select Market during the Recovery Period do not have any Recognized Losses under the Plan. The amount to be distributed to each Eligible Claimant will be determined as described in the following paragraphs.

33. For shares of Logitech common stock listed on the Nasdaq Global Select Market under the trading symbol LOGI that were:

(a) Purchased or held prior to the Recovery Period, or purchased after the Recovery Period, the Recognized Loss per share is $0.00.

(b) Purchased during the Recovery Period, and
(i) Sold during the Recovery Period, the Recognized Loss per share is $0.00.
(ii) Sold on or after July 28, 2011 and on or before October 26, 2011, the Recognized Loss per share is equal to the lesser of (1) the purchase price per share minus the sale price per share or (2) $0.68.
(iii) Sold or held after October 26, 2011, the Recognized Loss per share is equal to the lesser of (1) the purchase price per share minus $9.01, the closing price on October 26, 2011, or (2) $0.68.

(c) For example:

(i) A share purchased on May 31, 2011 at $12.20 would have a Recognized Loss of $0.00 if it was sold on July 26, 2011;
(ii) A share purchased on May 31, 2011 at $12.20 would have a Recognized Loss of $0.50 if it was held through the close of trading on July 27, 2011 and sold on or before October 26, 2011 at $11.70.
(iii) A share purchased on May 31, 2011 at $12.20 would have a Recognized Loss of $0.68 if it was held through the close of trading on July 27, 2011 and sold on or before October 26, 2011 at $11.00.
(iv) A share purchased on May 31, 2011 at $12.20 has a Recognized Loss of $0.00 if it was sold through the close of trading on July 27, 2011 and sold on a later date at $12.45.
(v) A share purchased on May 31, 2011 at $12.20 has a Recognized Loss of $0.68 if it was sold on or after October 27, 2011, for $10.00 or continues to be held.

34. Price. All prices mentioned in the calculations exclude all fees and commissions. Purchases and sales shall be deemed to have occurred on the “contract” or “trade” date as opposed to the “settlement” or “payment” date.

35. FIFO Methodology: For each Potential Claimant who made multiple purchases and sales of the Security during the Recovery Period, the transactions will be calculated according to the first-in, first-out (“FIFO”) method. The earliest sales during the Recovery Period will be matched first against any holdings at the opening of the Recovery Period. Once the beginning holdings have all been matched, or in the event that the Potential Claimant had no beginning holdings, then any further sales would be matched against the earliest Recovery Period purchases and chronologically thereafter.

36. Short Sales: If the sale date for a share falls before the purchase date (“Short Sale”), then the share has a Recognized Loss of $0.00.

37. Acquisitions: The receipt or grant to the Potential Claimant by gift, devise, inheritance, or operation of law of the Security during the Recovery Period is not considered an eligible purchase if the original purchase did not occur during the Recovery Period. Such shares will be excluded from the calculation of the Potential Claimant’s Eligible Loss Amount.
38. **Eligible Loss Amount:** A Potential Claimant’s Eligible Loss Amount will be calculated as the sum of Recognized Losses, as calculated in accordance with ¶ 33. If the Eligible Loss Amount is less than $0.00, reflecting an overall gain, the Eligible Loss Amount will be $0.00.

39. **Market Loss Limitation:** If a Potential Claimant’s actual losses in the Security are less than the Eligible Loss Amount, then the Eligible Loss Amount shall be limited to the actual loss amount. With respect to shares of the Security purchased during the Recovery Period, Investors whose total proceeds from sales of those shares exceeded the total purchase amount for those shares shall have an Eligible Loss Amount of $0.00.

40. **Pro Rata Distribution:** If the Net Fair Fund has sufficient funds, each Eligible Claimant will receive a Distribution Payment equal to the amount of his, her, or its Eligible Loss Amount. If the Net Fair Fund is not sufficient to pay the full Eligible Loss Amount for all Eligible Claimants, then each Eligible Claimant will receive a Distribution Payment that their Eligible Loss Amount bears in proportion to the total Eligible Loss Amounts of all Eligible Claimants (“Pro-Rata Share”).

41. **Minimum Distribution Amount:** If an Eligible Claimant’s Distribution Payment is less than $10.00, that Eligible Claimant will not receive a Distribution Payment and the funds will be distributed to other Eligible Claimants whose Distribution Payments are greater than $10.00.

**Establishment of Escrow Account**

42. The Fund Administrator will establish an escrow account (the “Escrow Account”) at a United States commercial bank (the “Bank”) that is acceptable to the Commission staff. The Escrow Account shall be established pursuant to an escrow agreement (the “Escrow Agreement”) to be provided by the Commission staff, in the name of and bearing the Employer Identification Number (“EIN”) of the Qualified Settlement Fund as described above. The Fund Administrator shall also establish with the Bank a separate deposit account (the “Deposit Account”) (e.g., controlled distribution account, managed distribution account, linked checking account or investment account) for the purpose of funding distribution payments to be distributed to Eligible Claimants by the Fund Administrator pursuant to the Plan. The name of such account shall be in the following form: Logitech Fair Fund (EIN XX-XXXXXXX), as custodian for the benefit of investors allocated a distribution pursuant to the Plan in *Logitech International, S.A. et al.*, Administrative Proceeding File No. 3-17212.

43. During the term of the Escrow Agreement, if invested, the Escrow Account shall be invested and reinvested in short-term 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, and tax obligations, including investment or reinvestment in a bank account insured by the Federal Deposit Insurance Corporation (“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. All interest earned will accrue for the benefit of the Fair Fund.

44. Prior to the receipt of any funds in the Escrow Account, the Bank will provide to the Fund Administrator an attestation, in a form acceptable to the Commission staff, that all funds in the Escrow Account will be held for the Fair Fund and that the Bank will not place any lien or encumbrance of any kind upon the funds. The Fund Administrator will be the signatory on the Escrow Account, subject to the continuing jurisdiction and control of the Commission.

45. Upon transfer from the BFS, all funds shall remain in the Escrow Account, separate from bank assets, pursuant to the Escrow Agreement until needed to satisfy a presented check. All checks presented for payment or electronic transfer will be subject to “positive pay” controls before they are honored by the Bank. The “positive pay” system provides protection against fraud arising from counterfeit or altered checks. The “positive pay” system will require, at a minimum, confirmation by the Bank that all checks presented for payment match the identifiers and amounts on the payee list prior to honoring such checks. In each instance, funds will be transferred from the Escrow Account to the Deposit Account on the Bank’s confirmation that a presented check matches the relevant “positive pay” criteria.

46. The Fund Administrator shall provide duplicate 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.

Distribution of the Fair Fund

47. The Fund Administrator, in consultation with Commission staff and the Tax Administrator, shall determine the Net Fair Fund by retaining a prudent reserve to pay any taxes, fees and expenses payable in connection with the Fair Fund, as well as a reasonable contingency for potential unforeseen issues.

48. The Net Fair Fund will be distributed to Eligible Claimants as provided under the terms of the Plan. An Eligible Claimant’s Eligible Loss Amount, as determined in accordance with the Distribution Methodology above, will be used to determine the amount of their Distribution Payment.

49. The Fund Administrator shall distribute the Net Fair Fund to all Eligible Claimants only after all timely submitted Claim Forms have been processed and all Potential Claimants whose claims have been rejected or disallowed, in whole or in part, have been notified and provided the opportunity to contest or cure pursuant to the procedures set forth above, and after a Commission Order to Disburse has issued.

50. The Fund Administrator may make one or more distributions to Eligible Claimants pursuant to the Payee List process described below. With respect to distributions after the initial distribution and unless otherwise determined by the Fund Administrator in consultation with the Commission staff, each distribution will be limited to those Eligible
Claimants that negotiated the distribution checks issued in the immediately preceding distribution, or received electronic payments.

51. Within ninety (90) days following the date of the Determination Notices described above, ¶ 26, the Fund Administrator shall prepare a final payee list (“Payee List”) that includes the names and addresses and Eligible Loss Amounts of Eligible Investors.

52. The Fund Administrator will also provide a “Reasonable Assurance Letter” as to the completeness and accuracy of the Payee List.

53. Upon receipt and review of the Payee List and Reasonable Assurance Letter, the Commission staff will obtain authorization from the Commission to disburse consistent with Rule 1101(b)(6) of the Rules, 17 C.F.R. § 201.1101(b)(6). Upon issuance of an order to disburse by the Commission, Commission staff will direct the transfer of funds to the Escrow Account. The Fund Administrator shall then use its best efforts to commence mailing Distribution Payment checks or effect wire transfers within fifteen (15) business days of the release of the funds into the Escrow Account (the “Initial Issue”). All efforts will be coordinated to limit the time between the Escrow Account’s receipt of the funds and the issuance of Distribution Payments.

54. All Distribution Payments will be issued by the Fund Administrator from the Deposit Account. All checks will bear a stale date of one hundred twenty (120) days from the date of issuance. Checks that are not negotiated by the stale date will be voided, and the Bank will be instructed to stop payment on those checks. Except as otherwise provided in the Plan, an Eligible Claimant’s claim shall be extinguished if he, she or it fails to negotiate his, her or its check by the stale date. All such funds will remain in the Net Fair Fund.

55. 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, her or its tax advisor for advice regarding the tax treatment of the distribution; (c) a statement that checks will be voided after one hundred twenty (120) days; and (d) the contact information for the Fund Administrator, to be used in the event of any questions regarding the distribution. Any such communication shall be submitted to the Commission staff and the Tax Administrator for review and approval. The Distribution Payment checks, on their face or the accompanying mailbag, shall clearly indicate that the money is being distributed from a Fair Fund established by the Commission to compensate investors for harm as a result of securities law violations.

56. Electronic or wire transfers may be utilized at the discretion of the Fund Administrator to transfer approved Distribution Payments on behalf of twenty (20) or more Eligible Claimants. Wire transfers will be initiated by the Fund Administrator using a two-party check and balance system, whereby completion of a wire transfer will require an authorization by two members of the Fund Administrator’s senior staff.
Post Distribution: Returned and Uncashed Checks

57. The Fund Administrator 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 sixty (60) days from the issuance and in no event will a check be reissued more than one hundred twenty (120) days from the Initial Issue.

58. The Fund Administrator will perform an advanced address search for checks that are returned as undeliverable, using the resources described above, ¶19, to the extent such search is feasible, and will reissue such checks so long as the new address is received within one hundred twenty (120) days of the Initial Issue. Furthermore, the Fund Administrator 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 one hundred twenty (120) days of the Initial Issue.

59. A residual within the Fair Fund will be established for any amounts remaining after all assets have been disbursed. The residual may include, among other things, funds reserved for future taxes and for post distribution contingencies, amounts from Distribution Payment checks that have not been cashed, amounts from Distribution Payment checks that were not delivered or accepted upon delivery, and tax refunds. Upon completion of all distributions under the Plan, the Fund Administrator shall remit the residual to the Commission for transfer to Treasury after the Commission approves the final accounting.

Accountings and Termination of the Fair Fund

60. Once the Fair Fund has been transferred from the BFS to the Bank, the Fund Administrator will provide an accounting to the Commission staff during the first ten (10) days after the end of each quarter on a standardized accounting form provided by the Commission staff. Each accounting shall detail all monies earned or received and all monies spent in connection with the administration of the Plan during the reporting period.

61. Upon completion of all distributions pursuant to the Plan, the Fund Administrator shall make arrangement for the payment of taxes and administration fees and expenses, transfer all remaining funds to the Commission, and submit a final accounting to the Commission on the standardized accounting form provided by the Commission staff. The Fund Administrator also shall submit a final report to the Commission staff summarizing the distribution, including disbursed amounts, returned or unnegotiated payments, outreach efforts and costs, final distribution statistics including statistics regarding distributions to individuals and entities, and such other information requested by the Commission staff.

62. 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 Commission staff, has been submitted by the Fund Administrator for approval, and has been approved, by the Commission; (b) all taxes, fees and expenses have been paid; and (c) any amount remaining in the Fair Fund has been received by the Commission for transfer to Treasury. The Commission staff shall seek an order from the
Commission, as appropriate, approving the final accounting, terminating the Fair Fund, canceling the Fund Administrator’s bond, discharging the Fund Administrator, and transferring any amount remaining in the Fair Fund, and any amounts returned to the Fair Fund in the future, to Treasury.

Miscellaneous

63. When administering the Plan, the Fund Administrator, and/or each of its designees, agents and assistants, shall be entitled to rely on all outstanding rules of law; and any orders issued by the Commission, the secretary by delegated authority, or an Administrative Law Judge; and/or any investor information provided by Commission staff.

64. The Fund Administrator will take reasonable and appropriate steps to distribute the Net Fair Fund according to the Plan and to effectuate the general purposes of the Plan. The Fund Administrator will inform Commission staff of any changes needed to this Plan. Upon approval by the Commission staff, the Fund administrator may implement immaterial changes to this Plan to effectuate its general purposes. If a change is deemed to be material by Commission staff, Commission approval is required by amending this Plan prior to implementation of the change.

65. The Fund Administrator will maintain all documents, including documents in any media, for six (6) years after approval of the final accounting. The Fund Administrator will maintain all documents, including documents in any media, for six (6) years after approval of the final accounting. Pursuant to Commission direction, the Fund Administrator will either turn over to the Commission or destroy all documents six (6) years after the approval of the final accounting.

Notice and Comment Period

66. The Notice of the Proposed Plan of Distribution and Opportunity for Comment (“Notice”) will be published on the Commission’s website at http://www.sec.gov/litigation/fairfundlist.htm. Any person wishing to comment on the Plan must do so in writing by submitting their comments to the Commission within thirty (30) days of the date of the Notice: (a) to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090; (b) by using the Commission’s Internet comment form (http://www.sec.gov/litigation/admin.shtml); or (c) by sending an email to rule-comments@sec.gov. Comments submitted by email or via the Commission’s website should include “Administrative Proceeding File Number 3-17212” in the subject line. Comments received will be publicly available. Persons should only submit comments that they wish to make publicly available.