UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

ADMINISTRATIVE PROCEEDING
File No. 3-19227

In the Matter of	:
Fieldstone Financial Management Group, LLC and Kristofor R. Behn	:
Respondents.	:

PROPOSED PLAN OF DISTRIBUTION

I. Overview

1. *Purpose*. The Division of Enforcement ("Division") submits this proposed plan of distribution (the "Plan") pursuant to Rule 1101 of the Commission's Rules on Fair Fund and Disgorgement Plans ("Commission's Rules"), 17 C.F.R. § 201.1101. As described more specifically below, the Plan provides for the distribution of the disgorgement, prejudgment interest, and a civil money penalty paid by Fieldstone Financial Management Group, LLC and Kristofor R. Behn (collectively, the "Respondents") in the captioned administrative proceeding.

2. *Background*. On July 1, 2019, the Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Section 21C of the Securities Exchange Act of 1934, Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, and Section 9(b) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the "Order")[1] against the Respondents.

In the Order, the Commission found that Kristofor R. Behn ("Behn"), and his registered investment adviser, Fieldstone Financial Management Group, LLC ("Fieldstone") failed to disclose material conflicts of interest to their advisory clients. Behn and Fieldstone also solicited an advisory client to invest $1 million in Fieldstone without disclosing that Behn planned to use much of the money to cover his personal expenses.

Specifically, from 2014 to early 2016, on Behn's recommendation, approximately 40 of Behn's advisory clients invested more than $7 million in securities issued by Aequitas Commercial Finance, LLC ("ACF"), one of numerous entities affiliated with the Aequitas enterprise, the parent of which is Aequitas Management, LLC (collectively referred to herein as

[1] Securities Act Rel. No. 10655 (July 1, 2019).

"Aequitas"). Behn and Fieldstone did not disclose to the clients that Aequitas had provided Fieldstone with a $1.5 million loan and access to a $2 million line of credit under terms that created an incentive for Behn and Fieldstone to recommend the Aequitas investments.

In early 2017, Behn, through Fieldstone, advised a Fieldstone client to purchase an interest in Fieldstone for $1 million. Behn represented that the client's investment would be used to support and expand Fieldstone's business. Contrary to his representation, Behn used approximately half the client's money to pay his personal taxes and make other payments to himself or for his personal benefit.

As a result of the conduct described in the Order, the Commission ordered the Respondents to pay, jointly and severally, a total of $1,322,971 (consisting of disgorgement of $984,778 (which represents $84,778 of advisory fees paid by forty (40) Fieldstone clients and the net loss of $900,000 suffered by one (1) Eligible Investor in Fieldstone), prejudgment interest of $63,193 and a civil money penalty of $275,000). In the Order, the Commission created a fair fund, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so the civil penalty, along with the disgorgement and prejudgment interest, can be distributed to harmed investors (the "Fair Fund").

As of August 31, 2019, the Respondents have paid a total of $700,000, and pursuant to the Order, the remaining $622,971 is due within 360 days of entry of the Order. The Fair Fund consists of the $700,000 paid by the Respondents, along with any additional funds received pursuant to the Order. The Fair Fund is currently deposited in an interest-bearing account at the United States Department of the Treasury's Bureau of Fiscal Service ("BFS").

This Plan provides for the distribution of the Fair Fund, plus accrued interest and earnings thereon, less the Reserve (defined below), taxes, investment fees, and fees and expenses of the Tax Administrator ("Net Available Fair Fund") to those Eligible Investors, as defined in paragraph 10 below.

3. *Jurisdiction and Control*. 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 its implementation.

II. Administration of the Plan

4. *Costs*. All costs of administering the Fair Fund, including taxes, fees and expenses of administration ("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.

5. *Fund Administrator*. Noel Gittens is proposed to be the fund administrator for the Fair Fund (the "Fund Administrator"). As a Commission employee, the Fund Administrator shall receive no compensation, other than his regular salary as a Commission employee, for his

services in administering the Fair Fund. In accordance with Rule 1105(c) of the Commission's Rules,[2] 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 Investors (as defined below), 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 the Plan.

6. *Tax Administrator*. Pursuant to the Omnibus Order Directing the Appointment of Tax Administrator in Administrative Proceedings that Establish Distribution Funds governing calendar years 2019-2021,[3] the Commission appointed Miller Kaplan Arase LLP as the tax administrator (the "Tax Administrator") for the Fair Fund.[4] The Tax Administrator shall be compensated for all reasonable costs and expenses from the Fair Fund according to the terms of Tax Administrator's 2019-2021 Letter Agreement with the Commission.

7. *Qualified Settlement Fund*. The Fair Fund constitutes a Qualified Settlement Fund 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.

8. *Reserve*. A reserve of $15,953 will be held back for future Costs to accommodate any unexpected expenditures or distribution payments (the "Reserve"). After all disbursements and Costs are paid, any remaining amounts in the Reserve will become part of the Residual described in paragraph 20.

III. Plan Procedures

9. *No Claims Process*. 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 harm as described in paragraph 11. 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.

10. *Specification of Eligible Investors*. Investors able to receive a payment pursuant to this Plan are limited to only those persons who paid advisory fees and the sole investor who invested $1 million in Fieldstone and suffered a loss on that investment ("Eligible Investors"). Based on information obtained during the Commission's investigation and in accordance with the methodology for determining harm in paragraph 11, the Commission staff has identified forty (40) Eligible Investors that paid advisory fees and one (1) investor in Fieldstone who suffered a loss on that investment.

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[2] 17 C.F.R. § 201.1105(c).

[3] Exchange Act Rel. No. 85174 (Feb. 22, 2019).

[4] Exchange Act Rel. No. 87218 (Oct. 3, 2019).

11. *Methodology for Determining Distribution Amounts*. Using information collected by the Commission staff, the Fund Administrator will determine the amounts to be distributed to each Eligible Investor, as the advisory fees paid by the forty (40) Eligible Investors and the amount of the unpaid investment of the one (1) Eligible Investor in Fieldstone ("Harm Amount"). As of August 31, 2019, the respondents have paid $700,000 of the $1,322,971 they were ordered to pay, with the balance of $622,971 due within 360 days of entry of the Order. Since the total Harm Amount incurred by the Eligible Investors exceeds the amount currently in the Net Available Fair Fund and pursuant to the payment schedule in the Order, and receipt of additional funds is anticipated, the Fund Administrator has determined to first, make a *pro-rata* distribution from the available funds, and then after receipt of any additional funds, conduct a second distribution to provide a total distribution amount up to each Eligible Investor's Harm Amount, plus reasonable interest.

a. The first distribution is based on the Net Available Fair Fund ($684,047) as of November 30, 2019 (the "First Distributable Amount"). The amount to be distributed to each Eligible Investor is then calculated as follows:

    i Calculate each Eligible Investor's *pro-rata* share based on each Eligible Investor's Harm Amount as a percentage of the total Harm Amount of all Eligible Investors (the "Loss Percentage"); and

    ii Calculate the *pro-rata* distributable amount for each Eligible Investor by multiplying the Loss Percentage for each Eligible Investor by the First Distributable Amount (the "First Distribution Payment").

b. For the second distribution, if sufficient funds are received, determine the amount to be distributed as the difference between the total disgorgement paid by the Respondents less the First Distributable Amount (the "Second Distributable Amount"). The amount to be distributed to each Eligible Investor is then calculated as follows:

    i Calculate the *pro-rata* distribution amount for each Eligible Investor by applying the Loss Percentage (used in the first distribution) for each Eligible Investor to the Second Distributable Amount (the "Second Distribution Payment"); and

    ii If sufficient funds are received, each Eligible Investor will be paid reasonable interest on its Harm Amount, calculated using the short-term Applicable Federal Rate compounded quarterly from the midpoint of the trading period in which the harm occurred through August 31, 2019.

Accordingly, with the first distribution and anticipated second distribution, each Eligible Investor is expected to receive a total distribution amount from the Net Available Fair Fund equal to the Eligible Investor's full Harm Amount plus reasonable interest. Each Eligible Investor's Harm Amount, Loss Percentage, and calculated First Distribution Payment are set forth in Exhibit A.

In the view of the Commission staff and the Fund Administrator, this methodology constitutes a fair and reasonable allocation of the Fair Fund to compensate an investor's harm. It is anticipated that there will be two distributions to Eligible Investors, which will take place as described herein.

12. Procedures for Locating and Notifying Eligible Investors. From information obtained by the Commission staff based on the review and analysis of applicable records from its investigation, the Fund Administrator has identified the Eligible Investors as defined in paragraph 10. The Fund Administrator will coordinate with the Tax Administrator to obtain information that is needed to accomplish the distribution in accordance with applicable tax requirements relating to the Fair Fund. To the extent possible, within sixty (60) days of the publication of the Plan for notice and comment, requests will be sent to certain Eligible Investors whose tax information is uncertain to supply IRS Forms W-8 or W-9 tax information, and such other information needed to ensure an efficient and accurate delivery of the full distribution payment(s) (the "Request"). The Eligible Investor shall respond within thirty (30) days in order to receive a distribution payment.

13. *Failure to Respond*. If an Eligible Investor fails to respond within thirty (30) days from the mailing of the Request, the Fund Administrator will make no fewer than two (2) attempts to contact the Eligible Investor by telephone or email. The second attempt will in no event take place more than thirty (30) days from the mailing of the Request. If an Eligible Investor fails to respond to the Fund Administrator's contact attempts as described in this paragraph, the Fund Administrator, in his discretion, may remove such Eligible Investor from the distribution and the allocated distribution amount will be added to the Residual described in paragraph 20.

14. *Undeliverable Mail*. If a Request and/or distribution payment is/are returned as undeliverable, the Fund Administrator will make his best practicable efforts to ascertain an Eligible Investor's correct address. If another address is obtained, the Fund Administrator will then resend the Request and/or distribution payment to the Eligible Investor's new address within ten (10) days of receipt of the returned mail. If the Request and/or distribution payment is returned again, and the Fund Administrator, despite best practicable efforts, is unable to find an Eligible Investor's correct address, the Fund Administrator, in his discretion, may remove such Eligible Investor from the distribution and the allocated distribution payment will be added to the Residual described in paragraph 20.

Any Eligible Investor who relocates or otherwise changes contact information after receipt of the Request must promptly communicate any change in address or contact information to the Fund Administrator.

15. *Distribution Timing*. The Fund Administrator will use his best efforts to start the distribution within sixty (60) days of the Plan's approval.

16. *Disbursement of the Fair Fund*. The BFS will mail checks or electronically transfer funds to each payee as instructed by the Fund Administrator. The Fund Administrator

will compile the payee information and prepare a payment file to make the disbursements through BFS. Pursuant to Rule 1101(b)(6) of the Commission's Rules, 17 C.F.R. § 201.1101(b)(6), the Fund Administrator will obtain an order from the Commission to disburse the Fair Fund.

Distribution checks and/or accompanying communications will clearly indicate that the money is being distributed from a Fair Fund established to compensate investors for harm suffered as a result of securities law violations.

The Fund Administrator will work with BFS to obtain information about uncashed checks, 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. Checks issued by BFS will state on their face that they are valid for one (1) year. If any checks issued are not cashed within the one (1) year time period, the Fund Administrator will work with BFS to identify all uncashed checks. In the event that there are uncashed checks, the Fund Administrator will determine the extent to which, under the circumstances in this distribution, it would be appropriate and feasible to make additional efforts to contact the Eligible Investor(s). Following the conclusion of any efforts by the Fund Administrator to locate any such Eligible Investor(s), the amount of all uncashed checks will be credited to the Fair Fund, and will become part of the Residual.

17. *Amendments and Procedural Deadline Extensions.* The Fund Administrator will take reasonable and appropriate steps to distribute the Net Available Fair Fund according to the Plan. If there are any changes to the Plan that are determined to be material, Commission approval is required prior to implementation by amending the Plan. Immaterial changes may be made by the Fund Administrator. For good cause shown, the Fund Administrator may extend any of the procedural deadlines set forth in the Plan.

18. *Procedure for the Receipt of Additional Funds*. Should any additional funds, other than funds ordered to be paid by the Respondents, be received for this matter by the Commission, prior to the Commission's termination of the Fair Fund, such funds will be added to the Residual.

19. *Procedures for Disputing Distribution Amounts*. Disputes will be limited to questions regarding the calculations of distribution payment amounts to Eligible Investors. Within thirty (30) days of the date of the distribution check, the Fund Administrator must receive a written communication detailing the dispute along with any supporting documentation. The Fund Administrator will investigate the dispute, and such investigation will include a review of the written dispute as well as any supporting documentation. Within thirty (30) days of receipt of the written dispute, the Fund Administrator will notify the Eligible Investor of his resolution of the dispute, which will be final.

20. *Disposition of Undistributed Funds.* A residual account within the Fair Fund will be established for any amounts remaining after the final disbursement to Eligible Investors from the Fair Fund (the "Residual"). The Residual may include the Reserve, distribution checks that

have not been cashed, funds from checks that were not delivered or from funds returned to the Commission, Fair Fund tax refunds for overpayment or for waiver of IRS penalties. All funds remaining in the Residual will be transferred to the U.S. Treasury after the final accounting is approved by the Commission.

21. *Accountings*. When all funds have been disbursed, except for the Residual described in paragraph 20 of the Plan, the Fund Administrator will submit a final accounting pursuant to Rule 1105(f) of the Commission's Rules, 17 C.F.R. § 201.1105(f), for the approval of the Commission prior to termination of the Fair Fund and discharge of the Fund Administrator. Since the funds are being held in a Commission designated account at the U.S. Treasury and the Fund Administrator is a Commission employee, no interim accountings will be made.

22. *Termination of the Fair Fund*. Following the final disbursement from the Net Available Fair Fund to Eligible Investors, the Fund Administrator will make arrangement for the final payment of all Costs, and will submit a final accounting to the Commission. The Fair Fund will be eligible for termination after all of the following have occurred: (a) a final accounting, appearing on the standard accounting form supplied by the Commission staff, has been submitted by the Fund Administrator, and has been approved by the Commission; and (b) all Costs have been paid. When the Commission has approved the final accounting, Commission staff will seek an order from the Commission authorizing: (a) the transfer of any amounts remaining in the Residual, and any funds returned to the Fair Fund in the future, to the U.S. Treasury; (b) to terminate the Fair Fund; and (c) to discharge the Fund Administrator.

IV. Notice of Proposed Plan and Opportunity for Comment

23. *Notice for Comment*. The Notice of Proposed Plan of Distribution (the "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 from 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 (www.sec.gov/litigation/admin.shtml); or (c) by sending an e-mail to rule-comments@sec.gov. Comments submitted by email or via the Commission's website should include "Administrative Proceeding File Number 3-19227" in the subject line. Comments received will be publicly available. Persons should only submit comments that they wish to make publicly available.

EXHIBIT A

	Harm Amount	Loss Percentage	Amount of First Distribution Payment
Investor 1	$ 1,782.31	0.1810%	$ 1,238.00
Investor 2	$ 1,807.53	0.1835%	$ 1,256.00
Investor 3	$ 1,758.45	0.1786%	$ 1,221.00
Investor 4	$ 7,484.13	0.7600%	$ 5,199.00
Investor 5	$ 2,541.10	0.2580%	$ 1,765.00
Investor 6	$ 4,007.88	0.4070%	$ 2,784.00
Investor 7	$ 729.68	0.0741%	$ 507.00
Investor 8	$ 3,686.30	0.3743%	$ 2,561.00
Investor 9	$ 1,629.91	0.1655%	$ 1,132.00
Investor 10	$ 2,026.03	0.2057%	$ 1,407.00
Investor 11	$ 921.58	0.0936%	$ 640.00
Investor 12	$ 2,111.53	0.2144%	$ 1,467.00
Investor 13	$ 795.78	0.0808%	$ 553.00
Investor 14	$ 510.96	0.0519%	$ 355.00
Investor 15	$ 1,442.69	0.1465%	$ 1,002.00
Investor 16	$ 3,992.81	0.4055%	$ 2,773.00
Investor 17	$ 2,026.83	0.2058%	$ 1,408.00
Investor 18	$ 1,597.03	0.1622%	$ 1,109.00
Investor 19	$ 805.37	0.0818%	$ 559.00
Investor 20	$ 2,676.48	0.2718%	$ 1,859.00
Investor 21	$ 401.03	0.0407%	$ 279.00
Investor 22	$ 758.22	0.0770%	$ 527.00
Investor 23	$ 692.69	0.0703%	$ 481.00
Investor 24	$ 1,291.10	0.1300%	$ 897.00
Investor 25	$ 4,421.00	0.4489%	$ 3,071.00
Investor 26	$ 1,416.10	0.1438%	$ 984.00
Investor 27	$ 685.84	0.0696%	$ 476.00
Investor 28	$ 1,649.09	0.1675%	$ 1,145.00
Investor 29	$ 4,633.11	0.4705%	$ 3,218.00
Investor 30	$ 1,557.53	0.1582%	$ 1,082.00
Investor 31	$ 786.99	0.0799%	$ 547.00
Investor 32	$ 3,061.07	0.3108%	$ 2,126.00
Investor 33	$ 816.32	0.0829%	$ 567.00
Investor 34	$ 1,112.10	0.1129%	$ 772.00

	Harm Amount	Loss Percentage	Amount of First Distribution Payment
Investor 35	$ 2,349.22	0.2386%	$ 1,632.00
Investor 36	$ 4,910.27	0.5986%	$ 3,411.00
Investor 37	$ 758.22	0.0770%	$ 527.00
Investor 38	$ 1,360.73	0.1382%	$ 945.00
Investor 39	$ 5,595.55	0.5682%	$ 3,887.00
Investor 40	$ 2,187.44	0.2221%	$ 1,519.00
Investor 41	$ 900,000.00	91.3912%	$ 625,159.00
Totals	**$ 984,777.98**	**100.00%**	**$ 684,047.00**