

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-19716**

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<b>In the Matter of</b>	:	
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	:	<b>PLAN OF DISTRIBUTION</b>
<b>Sica Wealth Management, LLC</b>	:	
<b>and Jeffrey C. Sica,</b>	:	
	:	
<b>Respondents.</b>	:	

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**I. OVERVIEW**

1. The Division of Enforcement has prepared 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 registered investment adviser, Sica Wealth Management, LLC (“SWM”) and, its principal, Jeffrey C. Sica (“Sica”) (collectively, the “Respondents”) in the above-captioned matter.<sup>1</sup>

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 Respondents’ failure to adequately disclose, to certain of their advisory clients, conflicts of interest regarding Sica’s recommendations that they invest in securities issued by Aequitas Commercial Finance, LLC (the “Aequitas Securities”). 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 advisory fees paid between October 1, 2013 and November 30, 2015, inclusive (the “Relevant Period”) with interest, plus a *pro rata* distribution of the remaining available funds for their related investment losses.

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<sup>1</sup> See Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, Advisers Act Rel. No. 5453 (Feb. 27, 2020) (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 is approved by the Commission, and the Commission retains jurisdiction over its implementation.

## II. BACKGROUND

6. On February 27, 2020, the Commission issued an Order instituting and simultaneously settling administrative and cease-and-desist proceedings against the Respondents. In the Order, the Commission found that from October 2013 to March 2015, approximately 45 SWM advisory clients invested a total of more than \$30 million in the Aequitas Securities based on Sica's recommendation.<sup>2</sup> The Commission also found that between October 2013 and November 2015, the Respondents failed to disclose to their advisory clients material facts regarding compensation that Aequitas provided to SWM and another firm owned and controlled by Sica (the "Affiliated Adviser"). According to the Order, Aequitas paid Sica and the Affiliated Adviser approximately \$2 million during the Relevant Period pursuant to consulting agreements and a loan agreement (the "Aequitas agreements") but the Respondents did not disclose these payments to their advisory clients. The Commission found that, by their misconduct, SWM and Sica violated Section 206(2) of the Advisers Act and ordered the Respondents to pay a total of \$408,693.42 consisting of \$236,029.19 in disgorgement, \$62,664.23 in prejudgment interest, and \$110,000.00 in civil money penalties 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 paid, along with the disgorgement and interest paid, can be distributed to harmed investors.

7. The Respondents have paid in full. The Fair Fund has been deposited at the United States Department of the Treasury's Bureau of the Fiscal Service ("BFS") for investment, and any interest accrued will be added to the Fair Fund.

## III. DEFINITIONS

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

8. "**Administrative Costs**" shall mean any administrative costs and expenses, including without limitation tax obligations, the fees and expenses of the Tax Administrator, and investment and banking costs.

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

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<sup>2</sup> In March 2016, the Commission charged Aequitas Commercial Finance, LLC ("ACF") and several other Aequitas companies and officers with defrauding the purchasers of more than \$300 million in ACF promissory notes and other Aequitas securities. See *SEC v. Aequitas Management, LLC, et al.*, No. 3:16-cv-00438-PK (D. Or. filed March 10, 2016).

10. **“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.

11. **“Excluded Party”** shall mean: (a) the Respondents and the Respondents’ advisers, agents, nominees, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities; (b) the Third-Party engaged to assist the Fund Administrator and its employees; 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.

12. **“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.

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

14. **“Payee”** means an Eligible Claimant whose distribution amount is equal to or greater than \$10.00, as calculated in accordance with the Plan of Allocation, who is determined to receive a Distribution Payment.

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

16. **“Plan Notice”** means a 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; specification of any information needed from the Preliminary Claimant to prevent him, her, or it from being deemed an Unresponsive Preliminary Claimant; 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.

17. **“Plan of Allocation”** means the methodology by which a Preliminary Claimant’s Recognized Loss is calculated. The Plan of Allocation is attached as Exhibit A.

18. **“Preliminary Claimant”** means an investor, 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 paid advisory fees to the Respondents in connection with Respondents’ recommendation to invest in the Aequitas Securities during the Relevant Period.

19. **“Recognized Loss”** means the total advisory fees paid plus interest and the related net investment loss suffered by each Preliminary Claimant as calculated in accordance with the Plan of Allocation.

20. **“Relevant Period”** means the period between October 1, 2013 and November 30, 2015, inclusive.

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

#### **IV. TAX COMPLIANCE**

22. On April 8, 2020, the Commission appointed Miller Kaplan Arase LLP as the tax administrator (the “Tax Administrator”) for the Fair Fund to handle the tax obligations of the Fair Fund.<sup>3</sup> The Tax Administrator will be compensated for reasonable fees and expenses from the Fair Fund in accordance with its 2019-2021 Engagement Letter Agreement with the Commission.<sup>4</sup>

23. 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.

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

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<sup>3</sup> See Order Appointing Tax Administrator, Exchange Act Rel. No. 88598 (Apr. 8, 2020).

<sup>4</sup> See Omnibus Order Directing the Appointment of Tax Administrator in Administrative Proceedings that Establish Distribution Funds, Exchange Act Rel. No. 85174 (Feb. 22, 2019).

## **V. FUND ADMINISTRATOR**

25. Noel Gittens is the fund administrator for the Fair Fund (“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,<sup>5</sup> no bond is required since the Fund Administrator is a Commission employee.

26. 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 obtain accurate mailing information for Preliminary Claimants; preparing accountings; cooperating with the Tax Administrator appointed by the Commission to satisfy any tax liabilities and to ensure compliance with income tax reporting requirements, including but not limited to Foreign Account Tax Compliance Act (FATCA); disbursing the Fair Fund in accordance with this Plan, as ordered by the Commission; and researching and reconciling errors and reissuing payments, when possible. The Fund Administrator will engage a third-party, Analytics Consulting, LLC (the “Third-Party”) for an estimated fixed fee of \$6,689.00, to perform some of the administrative tasks associated with implementing the Plan, such as obtaining accurate mailing information and tax compliance information for Preliminary Claimants and processing Distribution Payments. The Third-Party’s fees and expenses will be paid from the Fair Fund as an Administrative Cost, pursuant to a cost proposal submitted to, and approved by, the Commission staff.

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

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

## **VI. PLAN PROCEDURES**

### Specification of Preliminary Claimants

29. Using information obtained during its investigation, the Commission has identified the Preliminary Claimants. Preliminary Claimants are limited to only those Persons who paid advisory fees to SWM in connection with investments in the Aequitas Securities during the Relevant Period.

### Procedures for Locating and Notifying Preliminary Claimants

30. Within thirty (30) days of Commission approval of the Plan, the Third-Party or the Fund Administrator will send the Plan Notice to each Preliminary Claimant’s last known email address (if known) and/or mailing address.

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<sup>5</sup> 17 C.F.R. § 201.1105(c).

### Undeliverable Mail

31. If any mailing is returned as undeliverable, the Third-Party or the Fund Administrator will make the best practicable efforts to ascertain a Preliminary Claimant's correct address. If another address is obtained, the Fund Administrator or the Third-Party will then resend it to the Preliminary Claimant's new address within thirty (30) days of receipt of the returned mail. If the mailing is returned again, and the Fund Administrator or the Third-Party, 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.

32. 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 or the Third-Party.

### Procedures to Request Plan Notice

33. Any Person who does not receive a Plan Notice, as described in paragraph 30, but who is aware of this Plan (e.g., through other Preliminary Claimants or on [www.sec.gov](http://www.sec.gov)) and believes they should be included as a Preliminary Claimant should contact the Fund Administrator or the Third-Party within thirty (30) days of the approval of the Plan to establish that they should be considered a Preliminary Claimant. The Fund Administrator or the Third-Party will send the Person a Plan Notice within thirty (30) days of receiving the Person's documentation, if the Fund Administrator determines that the Person should have received a Plan Notice.

### Failure to Respond to Plan Notice

34. If a Preliminary Claimant is requested to respond and fails to respond within thirty (30) days from the initial mailing of the Plan Notice, the Third-Party or the Fund Administrator will make no fewer than two (2) attempts to contact the Preliminary Claimant by mail, telephone or email. The second attempt will in no event take place more than forty (45) 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.

### Dispute Process

35. Disputes will be limited to calculation of the advisory fees paid and the calculation of net investment losses. Within thirty (30) days of the initial mailing Plan Notice, the Fund Administrator must receive a written communication detailing any 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.

### Final Determination Notices

36. Within sixty (60) days of the initial mailing of the Plan Notices, the Fund Administrator will send a Final Determination Notice to (a) any Preliminary Claimant who timely submitted a written dispute as described in paragraph 35 above, notifying the Preliminary Claimant of the resolution of the dispute; and (b) those Preliminary Claimants who have not responded to the Plan Notice, as described in paragraph 34 above, except for those whose Plan Notice were returned as undeliverable, notifying the Preliminary Claimant that they are deemed an Unresponsive Preliminary Claimant.

### Distribution Methodology

37. 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 \$10.00, as calculated in accordance with the Plan of Allocation, will be deemed a Payee and receive a Distribution Payment.

### Establishment of a Reserve

38. 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").

39. 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 56 below.

### Preparation of the Payment File

40. Within sixty (60) 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 Escrow Account

41. Prior to the disbursement of funds from the Net Available Fair Fund, the Third-Party will establish an escrow account at 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") provided by the Commission staff.

42. 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, tax obligations, and/or fees of the Tax Administrator, 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.

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

44. 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 Account will be the responsibility of the Third-Party, 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

45. Pursuant to Rule 1101(b)(6) of the Commission’s Rules, 17 C.F.R. § 201.1101(b)(6), the Commission staff will obtain an order from the Commission to disburse funds from the Net Available Fair Fund to the Bank in accordance with the Payee List for distribution by the Third-Party in accordance with the Plan. Pursuant to the order, the funds will be transferred to the Bank, and the Third-Party will be responsible for issuing Distribution Payments to Payees in accordance with the Payee List. For any electronic payment, the exact amount necessary to make a payment shall be transferred directly to the Payee’s bank account in accordance with written instructions provided to the Bank by the Third-Party.

46. All checks will bear a stale date of ninety (90) 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. A Payee’s claim will be extinguished if he, she, or it fails to negotiate his, her or its check by the stale date, and the funds will remain in the Fair Fund, except as provided in paragraph 50.

47. 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; (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 Third-Party for questions regarding the Distribution Payment. The letter or other mailings to Payees characterizing a Distribution Payment will be submitted to the Tax Administrator and Commission staff for review and approval.



48. 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.

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

49. The Third-Party 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 Third-Party as “undeliverable.” If new address information becomes available, the Third-Party 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 one hundred twenty (120) days after the initial mailing of the original check) or if the distribution check is returned again, the check shall be voided and the Third-Party shall instruct the issuing financial institution to stop payment on such check. If the Third-Party is unable to find a Payee’s correct address, the Third-Party, in its 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.

50. The Third-Party will reissue checks or electronic payments to Payees upon the receipt of a valid, written request from the Payee 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 Third-Party will request, and must receive, documentation to support the requested change. The Third-Party will review the documentation to determine the authenticity and propriety of the change request. If, in the discretion of the Third-Party, such change request is properly documented, the Third-Party will issue an appropriately redrawn Distribution Payment to the requesting party. Reissued checks will be void at the later of one hundred twenty (120) days from issuance of the original check or thirty (30) days from the reissuance, and in no event will a check be reissued after one hundred twenty (120) days from the date of the original issuance without the approval of Commission staff.

51. The Third-Party 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 Third-Party is responsible for researching and reconciling errors and reissuing payments when possible. The Third-Party 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.

52. The Third-Party 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 Third-Party may reissue such checks, subject to the time limits detailed herein.

53. 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.

#### Receipt of Additional Funds

54. 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.

#### Disposition of Undistributed Funds

55. If funds remain following the initial distribution and payment of all Administrative Costs, the Fund Administrator, in consultation with the Commission staff, may seek subsequent distribution(s) of any available remaining funds, pursuant to the Commission's Rules. All subsequent distributions shall be made in a manner that is consistent with this Plan.

56. A residual within the Fair Fund will be established for any amounts remaining after the final disbursement to Payees from the Fair Fund and the payment of all Administrative Costs (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 for overpayment of taxes or for waiver of IRS penalties.

57. All funds remaining in the Residual that are infeasible to distribute to investors will be returned to the Commission and transferred to the U.S. 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 his wrongdoing. Therefore, in these circumstances distributing disgorged funds to the U.S. Treasury is the most equitable alternative.

#### Administrative Costs

58. All Administrative Costs will be paid from the Fair Fund in accordance with the Commission's Rules.

#### Accountings

59. When all funds have been disbursed, except for the Residual described in paragraph 56 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 Commission's approval prior to termination of the Fair Fund and discharge of the Fund Administrator. Since the Fund Administrator is a Commission employee, no interim accountings will be made.

### Termination of the Fair Fund

60. 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 U.S. 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 U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act; (b) discharge of the Fund Administrator; and (c) termination of the Fair Fund.

## **Exhibit A**

### **PLAN OF ALLOCATION**

This Plan of Allocation is designed to compensate investors who were harmed by the Respondents' failure to adequately disclose, to certain of their advisory clients, conflicts of interest regarding Sica's recommendations to invest in the Aequis Securities between October 1, 2013 and November 30, 2015, inclusive (the "Relevant Period"). Specifically, Aequis paid Sica and an affiliated adviser approximately \$2 million during the Relevant Period pursuant to consulting agreements and a loan agreement. The Respondents did not disclose the Aequis agreements and the resulting compensation to their advisory clients. Investors who did not pay advisory fees to the Respondents in connection with Respondents' recommendation to invest in the Aequis Securities are not eligible to recover under this Plan. Based upon records obtained by the Commission during its investigation, the Fund Administrator has identified those investors, or their lawful successors, who paid advisory fees to the Respondents in connection with Respondents' recommendation to invest in the Aequis Securities during the Relevant Period (the "Preliminary Claimants").

The Fund Administrator will calculate each Preliminary Claimant's loss ("Recognized Loss") by adding the advisory fees paid plus Reasonable Interest ("Loss from Fees") and the related net investment loss suffered by each Preliminary Claimant ("Loss Recovery") as follows:

- A. Compute the Loss from Fees for each Preliminary Claimant:
  1. Determine the amount of advisory fees paid to the Respondents in connection with Respondents' recommendation to invest in the Aequis Securities ("Fees Paid");
  2. Calculate the applicable Reasonable Interest on the Fees Paid; and
  3. Combine the Fees Paid and Reasonable Interest to determine the Loss from Fees.
  
- B. Compute the Loss Recovery for each Preliminary Claimant:
  1. Calculate the number of shares of Aequis Securities purchased during the Relevant Period multiplied by the corresponding purchase price (the "Purchase Value");
  2. Calculate the number of shares of Aequis Securities sold during the Relevant Period multiplied by the corresponding sale price (the "Sale Value").

3. Determine the net investment loss on Aequitas Securities during the Relevant Period by subtracting the Purchase Value from the Sale Value (“Net Investment Loss”);
4. Calculate the “Total Net Investment Losses” as the sum of the Net Investment Losses of all Preliminary Claimants;
5. Calculate each Preliminary Claimant’s “Pro-Rata Share” by dividing the Preliminary Claimant’s Net Investment Loss by the Total Net Investment Losses;
6. Subtract the sum of the Losses from Fees from the Net Available Fair Fund and multiply this amount by each Preliminary Claimant’s Pro Rata Share.

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, as defined in the Plan, will be deemed an Eligible Claimant.

An Eligible Claimant’s Recognized Loss will be his, her, or its distribution amount, subject to the “Minimum Distribution Amount.”<sup>1</sup>

### **Additional Provisions**

**Reasonable Interest:** Reasonable Interest will be calculated using the Short-term Applicable Federal Rate plus three percent (3%), compounded quarterly from October 1, 2013 through November 1, 2020.

**Pro Rata Share:** A *Pro Rata* Share computation is intended to measure Eligible Claimants’ Loss Recovery against one another. The Fund Administrator shall determine each Eligible Claimant’s *Pro Rata* Share as the ratio of their Loss Recovery to the sum of Loss Recovery of all Eligible Claimants.

**Minimum Distribution Amount:** The Minimum Distribution Amount will be \$10.00. If an Eligible Claimant’s distribution amount is less than \$10.00, that Eligible Claimant will be deemed ineligible to receive a Distribution Payment and their distribution amount will be reallocated on a *pro-rata* basis to Eligible Claimants whose distribution amounts are greater than or equal to \$10.00.

**Payee:** An Eligible Claimant whose distribution amount equals or exceeds the Minimum Distribution Amount will be deemed a Payee and receive a Distribution Payment equal to their distribution amount.

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<sup>1</sup> Investors will also receive a recovery based on their investment losses in the receivership distribution in *SEC v. Aequitas Management, LLC et. al*, Civ. Action No. 3:16-cv-00438-JR (D. Or.) (the “Aequitas Recovery”). However, an Eligible Claimants’ Loss Recovery under the Plan, when combined with their Aequitas Recovery, will not fully compensate them for their Net Investment Loss, and will not result in a windfall.