



UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

12/15/2022

**RE: Securities and Exchange Commission vs Strong Investment Management,  
Joseph B. Bronson, and John B. Engebretson**

United States District Court, Central District of California

**Distribution Plan Notice**

The Securities and Exchange Commission authorized this Distribution Plan Notice ("Notice").  
This is not a solicitation from a lawyer.

Dear Investor:

This Notice is to inform you of the Fair Fund established in the matter of Securities and Exchange Commission v. Strong Investment Management, Joseph B. Bronson, and John B. Engebretson ("SEC v Strong Invest Mgmt Fair Fund") comprised of disgorgement, prejudgment interest, and civil money penalties paid by Strong Investment Management ("SIM") and Joseph B. Bronson ("Bronson") (collectively, "Defendants"). This fund seeks to compensate investors who were harmed by the Defendants' conduct alleged in the Complaint, in connection with a cherry-picking scheme.

You have been identified as a Preliminary Claimant<sup>1</sup> because you are an individual or entity, or their lawful successor or assign, who may have been harmed due to the misconduct of Defendants in improperly allocating trades to client accounts between January 3, 2012 and July 27, 2016 (the "Relevant Period").

To be able to recover from the Strong Invest Mgmt Fair Fund, you must submit a completed Certification Form which must be emailed or postmarked no later than 90 days from the date of this Notice.<sup>2</sup>

**Fair Fund**

The Fair Fund is comprised of the disgorgement, prejudgment interest, and civil penalties paid by the Defendants. The Fair Fund currently consists of approximately \$1,245,924.39.<sup>3</sup>

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<sup>1</sup> Terms not otherwise defined herein have the same meaning as in the Plan of Distribution.

<sup>2</sup> You may be excluded from applying for a distribution if you fall within one of the categories outlined in Paragraph 11 of the Distribution Plan. Participation in the distribution of the Fair Fund will not result in the release of any rights or potential claims an investor may have against any party (other than with respect to the Distribution Agent), including, but not limited to, any party's past and present directors, officers, promoters, advisers, agents, affiliates, nominees, assigns, creditors, or controlled entities.

<sup>3</sup> This amount is approximate

## Distribution Plan

On November 15, 2022, the Court approved the Plan of Distribution (“Distribution Plan”). A copy of the Distribution Plan is available to view and download at [www.strong.fundadministratorgbp.com](http://www.strong.fundadministratorgbp.com). In addition, you can request a copy of the Distribution Plan from the Fund Administrator by phone, e-mail, or mail:

SEC v Strong Invest Mgmt Fair Fund  
c/o GBP / PACE Claims Fund Administrator  
200 American Metro Blvd - Suite 129  
Hamilton, NJ 08619  
1-833-410-9090

**[strongsupport@fundadministratorGBP.com](mailto:strongsupport@fundadministratorGBP.com)**

## Your Recognized Loss Amount

Your Recognized Loss Amount is based the allocation methodology as defined in the Plan of Allocation which is included as Attachment A to the Distribution Plan.

The Net Available Fair Fund is less than the sum of the Recognized Losses of all Eligible Claimants. Therefore, the distribution amount will equal an Eligible Claimant’s Pro Rata Share of the Net Available Fair Fund, subject to the Minimum Distribution Amount. If an Eligible Claimant’s distribution amount is less than \$10.00, that Eligible Claimant will not receive a Distribution Payment.

### Eligible Claimant's Participation Options for this Fair Fund

|   |  |
|---|--|
| In order to receive a payment from the Fair Fund, if you have no Dispute as to your Recognized Loss Amount, you must: | Submit the Certification Form so that it is emailed or postmarked no later than 90 days from the date of this Notice.  |
| In order to receive a payment from the Fair Fund, if you have a Dispute as to your Recognized Loss Amount, you must:  | Complete the Certification Form and write to the Fund Administrator detailing the reasons for your objection and return it so that it is emailed or postmarked no later than 60 days from the date of this Notice. |

**IF YOU DO NOT COMPLETE THE CERTIFICATION FORM AND RETURN  
IT TO THE FUND ADMINISTRATOR WITHIN THE DEADLINES  
DESCRIBED ABOVE, YOU WILL NOT RECEIVE A DISTRIBUTION  
PAYMENT**

If you agree with your Recognized Loss Amount, then certify it is correct on the Certification Form attached hereto (the “Certification Form”) and return it as instructed.

If this amount does not appear to be accurate, then you can dispute the Recognized Loss Amount (“Dispute”) in Part I of the Certification Form by filling out the amounts you believe to be correct. Please return the signed Certification Form and explain why the calculation is not accurate in two pages or less, double spaced, and attach documentation to support your Dispute.

You must also confirm any changes to the Eligible Claimant’s name, and whether any heirs or successors have taken the

place of the original Eligible Investor. You must also provide the address where the Distribution Payment should be sent.

The Certification must be emailed or postmarked no later than 90 days from the date of this Notice. Any Dispute must be emailed or postmarked no later than 60 days from the date of this Notice.

The Fund Administrator will notify you of the resolution of your Dispute within 30 days of its receipt in the form of a Final Determination Notice.

## **Background**

This Distribution Plan provides for the distribution of funds collected in the above-captioned matter to compensate harmed clients.

On February 20, 2018, the Commission filed a Complaint against SIM, Bronson, and John B. Engebreston (“Engebreston”). According to the Complaint, from January 2012 through in or about July 2016, SIM and Bronson engaged in a fraudulent trade allocation scheme known as cherry-picking. Bronson carried out this scheme by trading in SIM’s omnibus account and delaying allocation of those trades until he determined the security’s intraday performance. SIM and Bronson’s cherry-picking scheme led to a disproportionate number of profitable trades allocated to Bronson’s own account and a disproportionate allocation of unprofitable trades to client accounts.

On August 21, 2019, the Court entered Final Judgments against SIM and Bronson. SIM and Bronson have paid the judgment in full, as ordered, a total of \$1,245,924.39.

The Court also created a Fair Fund, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so the civil money penalty could be distributed to those harmed by the Defendants’ conduct alleged in the Complaint.

## **Fund Administrator**

On June 8, 2022, the Court appointed Guidehouse, Inc., Baker & Hostetler LLP, and PACE Claims Services LLC (“GBP”) as the Distribution Agent to oversee the administration and distribution of the Fair Fund.

## **Tax Administrator**

On September 20, 2021, the Court established a Fair Fund and appointed Miller Kaplan Arase LLP (“MKA”) as the Tax Administrator to execute all the tax reporting and filing requirements for the Fair Fund.

**Tax Consequences of Your Distribution Payment.** The Fair Fund is a Qualified Settlement Fund (“QSF”) as defined in Section 468B(g) of the Internal Revenue Code, 26 U.S.C. Section 468B(g), as amended, and the Treasury regulations promulgated thereunder, 26 C.F.R. 1.468B-1 et seq. This distribution is intended to compensate you for losses incurred with respect to your investment as a result of the violations described in the SEC’s Complaint. The distribution from this Fair Fund may have tax consequences.

Generally, the losses component of your distribution is not income to you to the extent of your basis in your investment. However, you must reduce your basis by the amount of your distribution. If your distribution exceeds your tax basis in your investment, then the excess is includable in your income as capital gain. Any such capital gain is long-term capital gain unless you disposed of your investment before holding it for longer than one year. If you do not have reasonable access to records indicating the tax basis of your investment, then you may assume that your tax basis is zero and that the entire distribution is includable in your income as capital gain. **The QSF is not required to - and will not - issue a Form 1099 to you with respect to the losses component of your distribution.**

**Prejudgment Interest Component.** The pre-judgment interest component – which comprises 8.07% of your distribution – constitutes taxable interest income to you; however, you will only receive a Form 1099-INT if your distribution contains \$600 or more of such interest. Under certain circumstances, the interest component may have been subject to 24% backup withholding (as well as state withholding, as applicable). To the extent that the interest component is subject to such withholding, it will be reflected on the Form 1099-INT that will be issued to you (as well as any related state forms, as applicable). If you are, or are presumed to be, a nonresident alien of the U.S. (“NRA”), or a payee subject to withholding under the Foreign Account Tax Compliance Act (“FATCA”), you may receive Form 1042-S with respect

to the interest component of your distribution. Your interest component may also have been subject to 30% NRA withholding or 30% FATCA withholding under certain circumstances, which has been remitted to the IRS on your behalf (if applicable). To the extent your interest component is subject to such withholding, it will be reflected on the Form 1042-S that will be issued to you in the first quarter of the year subsequent to the year you receive your distribution payment.

Please note that the Fund Administrator and the Tax Administrator cannot provide tax advice to Eligible Claimants. The information contained herein is being provided for informational purposes only to assist you in determining the United States ("U.S.") federal income tax consequences of the distribution payment if you are a citizen or resident of the U.S. The tax consequences of the distribution may vary depending on your individual circumstances. The information provided herein may not be applicable if you are a nonresident alien of the U.S. or a FATCA-subject payee and it does not address the alternative minimum tax provisions of federal tax law, nor state, local and non-U.S. tax rules, nor the effect of possible changes in laws. **THE INFORMATION CONTAINED HEREIN IS NOT AND SHOULD NOT BE RELIED UPON AS TAX ADVICE. CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE DISTRIBUTION TO YOU.**

## Participation

Participation in the Fair Fund will not result in the release of any rights or potential claims an Eligible Claimant may have against any party (other than with respect to the Fund Administrator), including, but not limited to, any party's past and present directors, officers, promoters, advisers, agents, affiliates, nominees, assigns, creditors, or controlled entities.

## Questions?

If you have any questions about the Fair Fund, or the calculation of your Recognized Loss Amount, you may obtain more information by visiting the Fund website at [www.strong.fundadministratorgbp.com](http://www.strong.fundadministratorgbp.com) or by phone at 1-833-410-9090, or by email to [strongsupport@fundadministratorGBP.com](mailto:strongsupport@fundadministratorGBP.com).

## Reminder Checklist

- ☐ Complete Part I and sign the Certification Form.
- ☐ Complete Part II of the Certification Form if you have any changes to the Eligible Investor Information, or the Mailing Address.
- ☐ Return the Certification Form so that it is emailed or postmarked within 90 days of the date of this Notice if you are not submitting a Dispute; or
- ☐ Return the Certification Form with any Dispute to the Fund Administrator by so that it is emailed or postmarked within 60 days of the date of this Notice.

Sincerely,

GBP Fund Administrator