

**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF TEXAS
DALLAS DIVISION**

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

**HOMELAND SAFETY INTERNATIONAL,
INC. F/K/A SNIFFEX, INC.; MARK B.
LINDBERG; PETAR D. MIHAYLOV; YURI
P. MARKOV; PAUL B. JOHNSON;
NICHOLAS V. KLAUSGAARD; AND
ILONA V. KLAUSGAARD,**

Defendants.

Case No.: 3:08-cv-01197-RCO

**NOTICE FOR DISTRIBUTION OF THE HOMELAND SAFETY
INTERNATIONAL FAIR FUND**

*This Plan Notice is issued pursuant to the Court-approved Distribution Plan.
This is not a solicitation from a lawyer.*

If you purchased the stock of the company listed below (the “Eligible Security”) during the corresponding “Relevant Period” and suffered a loss as a result of the conduct described in the Complaint in the captioned matter, you may be eligible for compensation from the Homeland Safety International Fair Fund.

Company Name, Trading Symbols, and Relevant Period (Inclusive)

Company Name	Trading Symbol(s)	Relevant Period Start Date	Relevant Period End Date
Homeland Safety International Inc. f/k/a Sniffex, Inc.	HSFI SNFX	5/17/2005	4/6/2006

In order to be considered for eligibility for a distribution from the Homeland Safety International Fair Fund, you must submit a completed and signed Proof of Claim Form (“Claim Form”) to the Distribution Agent¹, with adequate documentation of your transactions and a completed tax certification by **First Class Mail, postmarked by June 16, 2022; if not by First Class Mail, received by the Distribution Agent by June 16, 2022.** June 16, 2022, is referenced herein as the “Filing Deadline”. Further directions for submitting a claim, including the online claims process and physical address, are set forth below and on the Claim Form.

¹ Any capitalized terms used in this Plan Notice that are not otherwise defined herein shall have the meaning ascribed to them in the Distribution Plan, which is available on the website established for the Homeland Safety International Fair Fund at www.HomelandSafetyFairFund.com.

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Call toll-free 1-833-636-2110 or email info@HomelandSafetyFairFund.com

The information contained in this Plan Notice is only a summary. More detailed information and important documents can be found on the website dedicated to this matter at www.HomelandSafetyFairFund.com (the “Distribution Website”).

Please Note: Receipt of this Plan Notice does not mean you are eligible to receive a Distribution Payment; eligibility will be determined in accordance with the Court-approved Distribution Plan (the “Plan”) upon receipt of your Claim Form and necessary documentation.

PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY BECAUSE YOU MAY BE ELIGIBLE FOR COMPENSATION FROM THE HOMELAND SAFETY INTERNATIONAL FAIR FUND. THIS NOTICE CONTAINS IMPORTANT INFORMATION REGARDING YOUR POTENTIAL ELIGIBILITY TO SHARE IN THE HOMELAND SAFETY INTERNATIONAL FAIR FUND.

Background

The Civil Action

On July 15, 2008, the Securities and Exchange Commission (“SEC” or “Commission”) filed a complaint against Homeland Safety International, Inc. f/k/a Sniffex, Inc. (“Homeland Safety” or “Sniffex”) and six other defendants (collectively, the “Defendants”). The SEC alleged that from approximately October 2004 through April 2006, Defendants Paul B. Johnson (“Johnson”), Petar D. Mihaylov (“Mihaylov”) and Yuri P. Markov (“Markov”) engaged in a fraudulent promotional campaign to inflate the price and trading volume of Homeland Safety’s, then known as Sniffex, stock. Johnson, Mihaylov, Markov, and Mark B. Lindberg (“Lindberg”) along with, Swiss residents, Nicholas and Ilona Klausgaard (the “Klausgaards”), carried out the \$32 million pump-and-dump fraud scheme upon unsuspecting investors by means of a sham Nevada-registered Rule 504 stock offering of Sniffex stock. During the relevant period, Mihaylov, Markov and Johnson, used more than 33 false and misleading press releases in a fraudulent promotional campaign intended to inflate the share price and volume of Sniffex stock, while selling approximately 15 million shares of Sniffex restricted stock to unsuspecting investors.

The Homeland Safety International Fair Fund, the Tax Administrator, and the Distribution Agent

On September 19, 2012, the Court entered Final Judgment against: Mihaylov and Markov, ordering them to pay \$1,550,000.00 in disgorgement to the SEC (\$1,150,000.00 jointly and severally, and Mihaylov and Markov \$200,000.00 each), (Dkt No. 92); Johnson, ordering him to pay disgorgement and prejudgment interest of \$903,091.00 (disgorgement of \$750,000.00 and prejudgment interest of \$153,091.00), with all but \$50,000.00 waived by the Court. (Dkt No. 94). On September 26, 2012, the Court entered Final Judgment against the Klausgaards, ordering them to pay a total of \$29,038,219.30 (disgorgement of \$12,248,250.00 and prejudgment interest of \$4,541,719.30, jointly and severally, and civil penalties of \$6,124,125.00 each) (Dkt No. 98). The Klausgaards defaulted on their judgments. On or about September 2012 and 2014, pursuant to their Final Judgments, Mihaylov and Markov, and Johnson, respectively, paid a total of \$1.6 million as ordered to the SEC. Each Final Judgment provides that the SEC may propose a plan to distribute the collected funds, subject to the Court’s approval.

On January 10, 2020, the Court established a Fair Fund pursuant to Section 308(a) of SOX, so that the \$1.6 million paid along with accrued interest and earnings thereon (the “Fair Fund”) can be distributed to investors who were harmed by the Defendants’ fraudulent conduct, appointed

Miller Kaplan Arase LLP (“Miller Kaplan”) as the Tax Administrator (the “Tax Administrator”), and authorized the SEC to pay all tax obligations and administrative fees and expenses of the Tax Administrator without further Court Order (the “Appointment Order”). (Dkt No. 102).

The Fair Fund consists of the \$1.6 million of disgorgement and interest paid by Mihaylov, Markov, and Johnson and is currently on deposit in an interest-bearing account at the United States Treasury’s Bureau of Fiscal Service. Any additional funds received pursuant to the Final Judgment will be added to the Fair Fund.

On January 14, 2020, the Court entered an Order that appointed JND Legal Administration as the Distribution Agent (“JND” or “Distribution Agent”) for the Fair Fund to assist in overseeing the administration of the Fair Fund in coordination with SEC staff, pursuant to the terms of a Distribution Plan to be approved by the Court (“JND Appointment Order”). (Dkt No. 104).

The Plan

This Distribution Plan (the “Plan”) was developed jointly by the Distribution Agent and the SEC staff in accordance with practices and procedures customary in Fair Fund administrations. The Plan governs the administration and distribution of the Fair Fund and sets forth the method and procedures for distributing the assets of the Fair Fund to investors harmed by the conduct alleged in the Complaint. On February 16, 2022, the United States District Court for the Northern District of Texas Dallas Division approved the Plan. The Court-approved Distribution Plan is available on the Distribution Website at www.HomelandSafetyFairFund.com as well as on the SEC public webpage for this matter, <https://www.sec.gov/divisions/enforce/claims/homeland-safety-international.htm>.

Who May Be Eligible for a Distribution?

If you invested in the security listed in the chart on page 1 of this notice, during the Relevant Period; are not an Excluded Party as defined in the Plan; and suffered a loss according to the Plan, you may be eligible for a distribution from the Homeland Safety International Fair Fund.

To be considered for a Distribution Payment, you must timely submit a completed and signed Claim Form including adequate documentation for claimed transactions and a completed tax certification. If you believe you may be eligible for a distribution and are not an Excluded Party (see below), you should timely submit a completed and signed Claim Form.

“Excluded Parties” are defined in paragraph 7(1) of the Plan as follows and are not eligible to receive a distribution from the Homeland Safety International Fair Fund:

- i. Defendants, their current or former employees, affiliates, or controlled entities who served in such capacity during the Relevant Period, and their assigns, creditors, heirs, distributees, spouses, parents, and children;
- ii. Any defendant in any action brought by the SEC or any class action lawsuit related to the conduct described in the SEC’s complaint in this action or any related SEC action (or any of his or her affiliates, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities) unless and until such defendant is found not liable in all such civil suits prior to the Filing Deadline, and proof of the finding(s) is included in such defendant’s timely filed Claim Form;
- iii. Any Person who, as of the Filing Deadline, has been the subject of criminal charges related to the violations alleged in the SEC’s complaint in this action or any related

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- SEC action (or any of his or her affiliates, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities) unless and until such defendant is found not guilty in all such criminal actions prior to the Filing Deadline, and proof of the finding(s) is included in such defendant's timely filed Claim Form;
- iv. Any Person who assigned their right to obtain a recovery in the SEC's action against Defendants; provided, however, that this provision shall not be construed to exclude those Persons who obtained such a right by gift, inheritance, devise or operation of law; or
 - v. The Distribution Agent, its employees, and those persons assisting the Distribution Agent in its role as the Distribution Agent.

Allocation of the Homeland Safety International Fair Fund

A Plan of Allocation has been prepared that provides the formula by which Distribution Payments will be determined (*See* Attachment A of the Plan). The Net Fair Fund will be distributed to Eligible Claimants in accordance with that Plan of Allocation.

All Distribution Payments will be subject to a "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 equal to or greater than \$10.00. *See* paragraph 11 of the Plan of Allocation.

Claim Forms

Your Claim Form may be submitted by First Class Mail or other delivery. A paper Claim Form has been included with this Plan Notice. If you require additional copies of the Claim Form, you may obtain them from the Distribution Website.

You must submit your completed and signed Claim Form, including tax certification and adequate supporting documentation by **First Class Mail, postmarked by June 16, 2022, or, if not sent by First Class Mail, received by the Distribution Agent by June 16, 2022.** Mailed and/or otherwise physically delivered Claim Forms should be directed to the following address:

Homeland Safety International Fair Fund
c/o JND Legal Administration
PO Box 91240
Seattle, WA 98111

If you fail to timely submit a completed and signed Claim Form by the deadline, you may be barred from receiving a payment from the Homeland Safety International Fair Fund. The Claim Form must be accompanied by a completed tax certification and adequate supporting documentation for each transaction listed in the Claim. You will be responsible for demonstrating timely submission of your Claim Form.

If you submit a Claim Form that fails to provide all required information, or is otherwise deficient, you may receive a Claim Deficiency Notice advising you of the reason(s) why the claim is deficient and providing to you an opportunity to cure such deficiencies.

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Special Notice to Securities Brokers and Other Nominee Purchasers

Brokers, Dealers and other nominees that may have records of purchasers of the Eligible Security during the Relevant Period must notify the respective beneficial owners within fourteen (14) days of receipt of the Notice Packet so that beneficial owners may timely file a claim or provide to the Distribution Agent within fourteen (14) days of receipt a list of last known names and addresses for all beneficial owners for whom the record holders purchased the Eligible Security during the Relevant Period.

Additional Information

Additional information regarding the Homeland Safety International Fair Fund, including the Distribution Plan, the Distribution Plan Notice, the Claim Form, relevant deadlines, and related materials are available on the Distribution Website at www.HomelandSafetyFairFund.com. You may obtain additional information or request copies of the Claim Form by contacting the Distribution Agent toll-free at (833) 636-2110, emailing info@HomelandSafetyFairFund.com, or writing to:

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c/o JND Legal Administration
PO Box 91240
Seattle, WA 98111

PLEASE CHECK THE WEBSITE WWW.HOMELANDSAFETYFAIRFUND.COM
FOR UPDATES

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