

UNITED STATES DISTRICT COURT
DISTRICT OF ARIZONA

SECURITIES AND EXCHANGE COMMISSION,
Plaintiff,
v.
HOWARD R. BAER AND KEVIN C. BAER,
Defendants.

CASE NO. CV 06-2792-PHX-FJM

NOTICE FOR DISTRIBUTION OF THE HEPI FUND

If you purchased Health Enhancement Products, Inc. (“HEPI”) common stock during the period of October 31, 2003 through and including May 31, 2004, you may be eligible to share in the distribution of the \$1,400,000 fund.

A Federal Court Authorized This Notice. This Is Not A Solicitation From A Lawyer.

The United States Securities and Exchange Commission (“SEC” or “Commission”) filed a complaint on November 20, 2006 against Howard R. Baer and Kevin C. Baer charging them with violations of the anti-fraud provisions of the federal securities laws with respect to Health Enhancement Products, Inc. (“HEPI”) common stock. On November 29, 2006, the Court entered a Final Judgment requiring Defendant Howard R. Baer to pay approximately \$1.4 million into a distribution fund (“HEPI Fund”) that will be distributed to investors injured by the alleged misconduct. The purpose of this Notice is to advise you of your rights and of the eligibility criteria that may entitle you to participate in the benefits of distribution from the HEPI Fund described in this Notice. This Notice describes the steps you must take to file a Proof of Claim Form in order to be eligible for these benefits. Proof of Claim Forms are also available for download on the HEPI Fund website at www.sechepifund.com, or you may write to or email Rust Consulting, Inc. (the “Distribution Agent”) and request a Proof of Claim Form. The HEPI Fund will be distributed to Eligible Claimants who submit valid Proof of Claims.

YOUR LEGAL RIGHTS AND OPTIONS

SUBMIT A CLAIM	This is the only way to be considered for payment.
DO NOTHING	You will not be considered for payment.
DEADLINE	Proof of Claim Forms must be postmarked no later than August 27, 2015 .

PLEASE DIRECT ALL QUESTIONS REGARDING THIS NOTICE TO

Call: 1-855-460-1530	Email: info@sechepifund.com	Write: HEPI Fund c/o Rust Consulting, Inc. Distribution Agent P.O. Box 2253 Faribault, MN 55021-2436
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Please read this Notice carefully.

For More Information: Call 1-855-460-1530 or Visit www.sechepifund.com

FREQUENTLY ASKED QUESTIONS

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BASIC INFORMATION

1. Why did I receive this Notice?

You or someone in your family may have purchased shares of HEPI common stock between October 31, 2003 through and including May 31, 2004.

This Notice describes the SEC’s enforcement action, your legal rights, what benefits are available, who is eligible for them, and how to obtain them.

2. What are the details of the SEC’s settlement with Defendants?

On November 20, 2006, the Commission filed a Complaint against the Defendants, Howard R. Baer and Kevin C. Baer, charging them with violations of the anti-fraud provisions of the federal securities laws with respect to HEPI common stock.

Specifically, the Complaint alleged that Defendant Howard R. Baer violated Section 17(a) of the Securities Act of 1933, and Sections 10(b) and 13(b) of the Securities Exchange Act of 1934 (“Exchange Act”), and Rules 10b-5, 12b-20, 13a-1, 13a-11, 13a-13 and 13a-14 thereunder. The Complaint also alleged that Defendant Kevin C. Baer engaged in acts that aided and abetted the violation of Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder.

The Complaint alleges that the Defendants’ conduct constituted a “fraud on the market,” meaning that their materially false and misleading statements and activities resulted in an artificially high price for HEPI common stock during the Covered Period (October 31, 2003 through and including May 31, 2004).

On November 29, 2006, a Final Judgment was entered against Defendant Howard R. Baer requiring him, *inter alia*, to disgorge his ill-gotten gains of \$1,349,592.81 and prejudgment interest of \$88,734.60, for a total of \$1,438,327.41. From January 10, 2007 through March 24, 2008, payments paid by Defendant Howard R. Baer were deposited into an interest bearing account with the Court Registry Investment System under the case name designation “*SEC v. Howard R. Baer, et al.*, D09AZ– 2:06– CV-2792-01,” totaling \$1,421,000. The HEPI Fund constitutes a Qualified Settlement Fund under Section 468B-a of the Internal Revenue Service, 26 U.S.C. § 468B-1, and related regulations, 26 C.F.R. §§ 1.468B-1 through 1.468B-5.

These funds, together with any interest and income earned thereon, calculated after deductions expended or to be expended for taxes and fees (the “Available Distribution”), will be distributed in accordance with the provisions of the Amended Distribution Plan to the Eligible Claimants as defined below who file timely and valid Proof of Claim Forms following the procedures set forth in this Notice and on the Proof of Claim Form. The Amended Distribution Plan is further explained below in the Answer to Question No. 7.

WHO IS ELIGIBLE

3. Who is eligible to participate in the Available Distribution?

In order to determine whether you will receive a distribution from the Available Distribution, you first must determine whether you are an Eligible Claimant. An Eligible Claimant is any of the following individuals and entities, subject to certain exceptions (*see* Question No. 4):

All persons and entities who purchased HEPI common stock during the Covered Period (October 31, 2003 through and including May 31, 2004) and who sustained a loss.

If you have questions about the tax consequences of participating in the Available Distribution, you should consult with your own tax advisor.

4. Who is excluded from the Available Distribution?

The following cannot be Eligible Claimants:

- a) Any HEPI Investor who has fully recovered, from any source, the principal amounts expended in the purchase of HEPI common stock during the Covered Period.
- b) Any HEPI Investor who is a present or former officer, director, or employee of HEPI, and any heir, assignee, distributee, legatee, donee, spouse, parent, child, relative, or controlled entity of any officer, director, or employee of HEPI.
- c) Any HEPI Investor who, on or before the Claims Bar Date, was the subject of any criminal action or proceeding related to the violations alleged in the Commission's complaint in this action, other than a Person found not guilty of all of such criminal charges or as to whom all of such criminal charges were dismissed with prejudice on or before the Claims Bar Date, and any heir, assignee, distributee, legatee, donee, spouse, parent, child, relative, or controlled entity of any such Person.

HOW TO SUBMIT A PROOF OF CLAIM FORM FOR CONSIDERATION

5. What do I need to do to receive a payment?

To qualify for a Distribution Payment, you **must** file a signed Proof of Claim Form with the Distribution Agent on or before the Claims Bar Date, August 27, 2015. A Proof of Claim Form is included with this Notice. If you require additional information or forms, you may also obtain them from the HEPI Fund website at www.sechepifund.com. You may also request them by calling 1-855-460-1530 or you may submit a written request or email to the Distribution Agent at the address below.

Be sure to complete all information requested on the Proof of Claim Form that applies to you, sign the form and include sufficient documentation reflecting your holdings, purchases and sales of HEPI common stock as requested on the Proof of Claim Form. If you do not provide all required information and sign the Proof of Claim Form, your claim may be rejected.

6. When is the deadline for sending in my Proof of Claim Form?

Your completed Proof of Claim Form must be postmarked no later than the Claims Bar Date of August 27, 2015 and mailed to the following address:

HEPI Fund
c/o Rust Consulting, Inc.
Distribution Agent
P.O. Box 2253
Faribault, MN 55021-2436

7. How much will I receive if my claim is eligible?

The Court has approved an Amended Distribution Plan that provides a mathematical formula for the Distribution Agent to determine each Eligible Claimant's Approved Claim based upon the number of each Eligible Claimant's Recognized Loss or Unrecognized Loss of HEPI common stock. To determine each Eligible Claimant's Distribution Payment, the Available Distribution will be allocated *pro rata* based upon the ratio of the Approved Claim of each Eligible Claimant to the aggregate Approved Claims of all Eligible Claimants. No distribution shall be made to an Eligible Claimant whose Distribution Payment is less than \$10. All other distributions shall be rounded down to the next lower \$10. (i.e. a calculated distribution of \$26.90 would be rounded down to \$20.)

For More Information: Call 1-855-460-1530 or Visit www.sechepifund.com

Each Eligible Claimant's Distribution Payment is calculated based on the number of: (1) shares of HEPI common stock the Eligible Claimant held at the beginning of trading on October 31, 2003; (2) shares of HEPI common stock the Eligible Claimant purchased from October 31, 2003 through May 31, 2004; (3) shares of HEPI common stock the Eligible Claimant sold from October 31, 2003 through May 31, 2004; and (4) shares of HEPI common stock the Eligible Claimant held at the close of trading on May 31, 2004.

For more specific information regarding the methodology utilized to determine each Eligible Claimant's distribution, please review the Amended Distribution Plan, which is available at www.sechepifund.com.

8. When would I receive my payment?

Processing of the Proof of Claim Forms will require significant time. The Distribution Agent estimates that distributions from the Available Distribution will be made by March 2016, although that estimate is subject to change, depending on various factors.

Everyone who sends in a Proof of Claim Form can receive information about the progress of the distribution by visiting the website at www.sechepifund.com, by calling 1-855-460-1530, sending an email to info@sechepifund.com, or writing to: HEPI Fund, c/o Rust Consulting, Inc., Distribution Agent, P.O. Box 2253, Faribault, MN 55021-2436.

9. Do I give up any legal rights by submitting a claim?

An Eligible Claimant will be bound by the Amended Distribution Plan, and all orders and judgments entered by the Court regarding the distribution. By participating in the distribution of the HEPI Fund, Eligible Claimants **will not** be releasing any rights or claims they may have other than those specified in the Amended Distribution Plan, orders, and/or judgments.

IF YOU DO NOTHING

10. What happens if I do nothing at all?

If you do not submit a Proof of Claim Form, you will not receive any payment in connection with the distribution, regardless of whether you are otherwise an Eligible Claimant.

GETTING MORE INFORMATION

11. Are there more details about the action?

This Notice summarizes the distribution. You may obtain copies of the Commission's Complaint and other relevant documents from the website for free at www.sechepifund.com. The Commission's Complaint and the Court's orders are also available on the Court's docket under *Securities and Exchange Commission v. Howard R. Baer and Kevin C. Baer*, Case No. CV06-2792-PHX-FJM. If you elect to obtain copies from a source other than www.sechepifund.com, there may be a charge for copying and mailing such documents.

12. How do I get more information?

You can visit the website at www.sechepifund.com, where you will find answers to common questions about the distribution, the Proof of Claim Form, plus other information to help you determine whether you are an Eligible Claimant and whether you are eligible for payment. You can also call 1-855-460-1530 toll-free, write to the HEPI Fund, c/o Rust Consulting, Inc., Distribution Agent, P.O. Box 2253, Faribault, MN 55021-2436, or send an email to info@sechepifund.com.

SPECIAL NOTICE TO SECURITIES BROKERS AND OTHER NOMINEES

If you purchased shares of HEPI common stock from October 31, 2003 through and including May 31, 2004 as nominee for a beneficial owner, then within ten (10) calendar days after you receive this Notice, you must either: (a) send a copy of this Notice and the accompanying Proof of Claim Form by first class mail to all such beneficial owners; or (b) provide a list of the names and addresses of such beneficial owners to the Distribution Agent so that the Distribution Agent can provide them with a copy of this Notice and a Proof of Claim Form.

If you chose option (a) above, you may request enough forms from the Distribution Agent (at no charge) to complete your mailing. You may seek reimbursement of your reasonable expenses actually incurred in complying with these directives, subject to approval of the Commission or the Court. All communications concerning this matter should be addressed to the Distribution Agent.

INQUIRIES

All inquiries concerning this Notice, the Proof of Claim Form, or any other questions by shareholders should be directed to the Distribution Agent as follows:

HEPI Fund
c/o Rust Consulting, Inc.
Distribution Agent
P.O. Box 2253
Faribault, MN 55021-2436
Toll-Free: 1-855-460-1530
Email: info@sechepifund.com; Website: www.sechepifund.com

PLEASE DO NOT CONTACT THE COURT WITH YOUR QUESTIONS REGARDING THIS NOTICE.

Dated: May 29, 2015