

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

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21825**

**In the Matter of**

**Morgan Stanley & Co. LLC,**

**Respondent.**

**MODIFIED PLAN OF  
DISTRIBUTION**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-21826**

**In the Matter of**

**Pawan Kumar Passi,**

**Respondent.**

**I. OVERVIEW**

1. The Division of Enforcement has submitted this Modified 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 “Morgan Stanley Fair Fund”) comprised of disgorgement, prejudgment interest, and civil money penalties paid by Morgan Stanley & Co. LLC (“Morgan Stanley”)<sup>1</sup> and Pawan Kumar Passi (“Passi” and collectively with Morgan Stanley, the “Respondents”)<sup>2</sup> pursuant to the Orders the Commission issued in the above-captioned matters.

2. As described more specifically below, the Plan seeks to compensate investors (the “Selling Shareholders”) for losses on their sales of blocks of shares of the Securities, as defined below, in the transactions listed on Exhibit B to the Plan (the “Transactions”) resulting from the conduct described in the Orders, as calculated using the methodology detailed in the Plan of

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<sup>1</sup> See Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, Exchange Act Rel. No. 99336 (Jan. 12, 2024), Admin. Proc. File No. 3-21825 (the “Morgan Stanley Order”).

<sup>2</sup> See Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order, Exchange Act Rel. No. 99337 (Jan. 12, 2024), Admin. Proc. File No. 3-21826 (the “Passi Order” and together with the Morgan Stanley Order, the “Orders”).

Allocation (attached as Exhibit A). Based on records and expert analysis obtained by the Commission staff during and after its investigation, the Commission staff has identified the harmed investors and has calculated each investor's harm. As a result, the Morgan Stanley 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. In the view of the Commission staff, this methodology constitutes a fair and reasonable allocation of the Morgan Stanley Fair Fund.

4. On February 26, 2025, the Commission published a notice of the proposed plan of distribution and opportunity for comment and simultaneously published the proposed plan of distribution ("Proposed Plan").<sup>3</sup> The notice provided the public with 30 days to submit their comments on the Proposed Plan. No comments were received.

5. On April 22, 2025, the Commission issued an order approving the Proposed Plan and simultaneously posted the approved modified plan of distribution.<sup>4</sup>

6. The Commission has custody of the Morgan Stanley Fair Fund and shall retain control of the assets of the Morgan Stanley Fair Fund. The Plan has been approved by the Commission, and the Commission retains jurisdiction over its implementation.

7. The Commission further modifies this Plan to reflect the engagement of Simpluris as a Third-Party to assist the Fund Administrator and perform some of the administrative tasks associated with implementing the Plan. This modification is immaterial, and inurs to the benefit of investors as it will expedite the distribution process.

## **II. BACKGROUND**

8. On January 12, 2024, the Commission issued the Orders. In the Orders, the Commission found that, from at least June 2018 through August 2021, Passi and another employee on Morgan Stanley's Equity Syndicate Desk in the Americas (the "Syndicate Desk") perpetrated a fraud involving large blocks of stock that the investment banking firm purchased from the Selling Shareholders. The Commission found that the two employees, in violation of duties of confidentiality and Morgan Stanley's policies, disclosed to certain buy-side investors non-public, potentially market-moving information, concerning impending "block trades" that the firm had been invited to bid on or was in the process of negotiating with selling shareholders. The Commission further found that Morgan Stanley failed to enforce information barriers to prevent material non-public information involving certain block trades from being discussed by the Syndicate Desk. According to the Morgan Stanley Order, by this conduct, Morgan Stanley

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<sup>3</sup> Notice of Proposed Plan of Distribution and Opportunity for Comment, Exchange Act Rel. No. 102488 (Feb. 26, 2025).

<sup>4</sup> Order Approving Modified Plan of Distribution, Exchange Act Rel. No. 102915 (April 22, 2025). The Proposed Plan was modified to name Sondra Panahi as fund administrator, replacing Joshua Braunstein.

generated more than \$138 million in profits across 28 transactions. The Commission found that Morgan Stanley and Passi willfully violated Section 10(b) of the Securities Exchange Act of 1934 (“Exchange Act”) and Rule 10b-5 thereunder, and that Morgan Stanley willfully violated Section 15(g) of the Exchange Act.

9. In the Morgan Stanley Order, the Commission ordered Morgan Stanley to disgorge \$138,297,046, and pay prejudgment interest of \$28,057,775, for a total of \$166,354,821, which would be partially offset by the value of forfeiture and restitution paid by Morgan Stanley pursuant to a January 11, 2024, non-prosecution agreement with the U.S. Attorney for the Southern District of New York in an overlapping criminal proceeding (the “Criminal Proceeding”).<sup>5</sup> The Commission further ordered Morgan Stanley to pay a civil penalty of \$83,000,000 to the Commission, and that the Commission would hold all funds paid pursuant to the Morgan Stanley Order pending a decision as to whether the Commission will seek to distribute them.

10. In the Passi Order, the Commission ordered Passi to pay a civil penalty of \$250,000 to the Commission, and that the Commission would hold all funds paid pursuant to the Passi Order pending a decision as to whether the Commission will seek to distribute them.

11. The Respondents have paid in full. They have collectively paid \$83,250,000 in civil penalties, and Morgan Stanley, after the offset of forfeiture and restitution paid in the Criminal Proceeding, has paid disgorgement and prejudgment interest totaling \$29,823,598. In total, the Respondents have paid \$113,073,598.

12. On September 27, 2024, the Commission issued an order<sup>6</sup> that created the Morgan Stanley Fair Fund, consisting of the \$113,073,598 paid by the Respondents pursuant to the Orders.

13. The Morgan Stanley Fair Fund has been deposited in a Commission-designated account at the U.S. Department of the Treasury (the “Treasury”), and any interest accrued will be added to, and become a part of, the Morgan Stanley Fair Fund.

### III. DEFINITIONS

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

14. **“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.

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<sup>5</sup> Any distribution in the Criminal Proceeding will be done by the criminal authorities and not under this Plan. To avoid a windfall, any Recovery (defined below) in the Criminal Proceeding will be offset from Preliminary Claimants’ Recognized Losses, as further set forth in the Plan of Allocation. *See* Exhibit A (Plan of Allocation). For more information on the Criminal Proceeding, *see* <https://www.justice.gov/usao-sdny/pr/us-attorney-announces-agreements-morgan-stanley-and-former-senior-employee-pawan-passi>.

<sup>6</sup> Order Creating and Consolidating Fair Funds and Setting Deadline to Submit a Proposed Plan of Distribution, Exchange Act Rel. No. 101215 (Sept. 27, 2024).

15. **“Distribution Payment”** means a payment from the Morgan Stanley Fair Fund to a Payee in accordance with the terms of this Plan.

16. **“Excluded Party”** shall mean: (a) the Respondents, and the Respondents’ advisers, agents, nominees, assigns, creditors, heirs, distributees, spouses, parents, children, or controlled entities; (b) any Person who has been the subject of criminal charges related to the conduct described in the Orders or any related Commission action; (c) the Third-Party retained to assist the Fund Administrator or its employees; and (c) any purchaser or assignee of another Person’s eligibility to obtain a recovery from the Morgan Stanley 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.

17. **“Final Determination Notice”** means the written notice sent to: (a) any Preliminary Claimants who submitted a written dispute of the trade information set forth in the Plan Notice, notifying the Preliminary Claimant of the Fund Administrator’s resolution of the dispute; and (b) those Preliminary Claimants who did not respond to the Plan Notice as described in paragraph 40, notifying the Preliminary Claimant that he, she, or it has been deemed an Unresponsive Preliminary Claimant. The Final Determination Notice will constitute the Fund Administrator’s final ruling regarding the status of the claim.

18. **“Morgan Stanley 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 the investors harmed by Respondents’ violations described in the Orders.

19. **“Net Available Fair Fund”** means the Morgan Stanley Fair Fund, plus accrued interest, less Administrative Costs.

20. **“Payee”** means a Preliminary Claimant who is determined to have suffered a Recognized Loss pursuant to the Plan of Allocation, who is not an Excluded Party or an Unresponsive Preliminary Claimant, and who will receive a Distribution Payment.

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

22. **“Plan Notice”** means a written notice sent 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; the trade date and the number of shares sold by the Selling Shareholder to the executing bank; specification of any information needed from the Preliminary Claimant to prevent him, her, or it from being deemed an Unresponsive Preliminary Claimant, including completed tax forms and payment information; the procedure for the distribution as set forth in the Plan; and the name and contact information for the Third-Party and the Fund Administrator as resources for additional information or to contact with questions regarding the distribution.

23. “**Plan of Allocation**” means the methodology to calculate if a Preliminary Claimant has suffered a Recognized Loss. The Plan of Allocation is attached as Exhibit A.

24. “**Preliminary Claimant**” means the Selling Shareholders, or their lawful successors, who may have suffered losses on their sales of blocks of shares of the Securities in the Transactions as a result of the conduct described in the Orders; or those Persons who request a Plan Notice as described in paragraph 39 that are determined by the Fund Administrator to be Selling Shareholders or their lawful successors, who may have suffered losses on their sales of blocks of shares of the Securities in the Transactions as a result of the conduct described in the Orders.

25. “**Recognized Loss**” means the amount of loss calculated for each Transaction in accordance with the Plan of Allocation.

26. “**Recovery**” means any compensation paid to the Selling Shareholders for the loss that resulted from the conduct described in the Orders that was received from the Criminal Proceedings or another source (*e.g.*, private settlement).

27. “**Selling Shareholders**” are the sellers in the Transactions identified by Commission staff based on records and expert analysis obtained during and after its investigation.

28. “**Securities**” are the stocks sold in the Transactions, traded under the following symbols: ALNY, AMD, BIGC, CSX, EDIT, GOOS, HSY, INGN, INVH, LULU, MEDP, MORF, MRNA, MYOK, NRZ, PING, PLTR, QSR, RVLV, SBLK, SPRB.

29. “**Transactions**” are the 28 transactions referenced in paragraph 66 of the Morgan Stanley Order and listed in Exhibit B to this Plan.

30. “**Unresponsive Preliminary Claimant**” means a Preliminary Claimant whose address the Third-Party has not been able to verify and/or who does not timely respond to the Third-Party’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

31. On October 11, 2024, the Commission appointed Miller Kaplan Arase LLP as the tax administrator (the “Tax Administrator”) for the Morgan Stanley Fair Fund to handle the tax obligations of the Morgan Stanley Fair Fund.<sup>7</sup> The Tax Administrator will be compensated for reasonable fees and expenses from the Morgan Stanley Fair Fund in accordance with its 2022-2024 Engagement Letter Agreement with the Commission.<sup>8</sup>

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<sup>7</sup> See Order Appointing Tax Administrator, Exchange Act Rel. No. 101317 (Oct. 11, 2024).

<sup>8</sup> See Omnibus Order Directing the Engagement of Two Tax Administrators for Appointment on a Case-By-Case Basis in Administrative Proceedings that Establish Distribution Funds, Exchange Act Rel. No. 94845 (May 4, 2022).

32. The Morgan Stanley 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 to timely pay all applicable taxes, paying taxes for which the Tax Administrator has received funds, and filing applicable returns; and
- (c) Fulfilling any information reporting or withholding requirements imposed on distributions from the Morgan Stanley Fair Fund.

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

## **V. FUND ADMINISTRATOR**

34. Sondra Panahi is to be the fund administrator for the Morgan Stanley Fair Fund (the “Fund Administrator”).<sup>9</sup> As a Commission employee, the Fund Administrator shall receive no compensation, other than her regular salary as a Commission employee, for her services in administering the Morgan Stanley Fair Fund. In accordance with Rule 1105(c) of the Commission’s Rules,<sup>10</sup> no bond is required since the Fund Administrator is a Commission employee.

35. The Fund Administrator will be responsible for administering the Morgan Stanley Fair Fund in accordance with the Plan. The Fund Administrator will engage a third party, Simpluris (the “Third-Party”), to perform some of the administrative tasks associated with implementing the Plan. 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.

36. To carry out the purposes of this Plan, the Fund Administrator is authorized to make and implement immaterial changes to the Plan upon agreement of the Commission staff. If a change is deemed to be material by the Fund Administrator, the Commission staff will seek approval from the Commission to amend the Plan prior to implementation.

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

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<sup>9</sup> Sondra Panahi has replaced Joshua Braunstein as the Fund Administrator.

<sup>10</sup> 17 C.F.R. § 201.1105(c).

## VI. PLAN PROCEDURES

### Specification of Preliminary Claimants

38. Based on records and expert analysis obtained by the Commission staff during and after its investigation, the Commission staff has identified the Preliminary Claimants and has calculated each Preliminary Claimant's losses, if any. Preliminary Claimants are limited to the Selling Shareholders, or their lawful successors, who may have suffered losses on their sales of blocks of shares of the Securities in the Transactions listed in Exhibit B.

### Procedures for Locating and Notifying Preliminary Claimants

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

### Undeliverable Mail

40. If any mailing is returned as undeliverable, the Third-Party will make the best practicable efforts to ascertain a Preliminary Claimant's correct address. If another address is obtained, the Third-Party will then resend the mailing to the Preliminary Claimant's new address within thirty (30) days of receipt of the returned mail. If the mailing is returned, and the Third-Party, despite best practicable efforts, is unable to find a Preliminary Claimant's correct address or contact information, the Fund Administrator, in her discretion, may deem such Preliminary Claimant an Unresponsive Preliminary Claimant.

41. 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.

### Procedures to Request Plan Notice

42. Any Person who does not receive a Plan Notice as described in paragraph 36, 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 within sixty (60) days from the approval of the Plan to establish that they should be considered a Preliminary Claimant. Such Person should include with that communication, documentation sufficient to support their assertion that they should be considered a Preliminary Claimant, as well as contact information (physical address, telephone number, and email address, if available) for responsive communications. The Fund Administrator will direct the Third-Party to 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

43. If a Preliminary Claimant is requested to respond and fails to respond within twenty-one (21) days from the initial mailing of the Plan Notice, the Third-Party will make no fewer than two (2) attempts to contact the Preliminary Claimant by a different contact method (e.g., telephone or email if the Plan Notice was mailed), if available; and by the initial contact method if an alternative is unavailable. The second attempt will in no event take place more than thirty (30) days from the initial mailing of the Plan Notice. If a Preliminary Claimant fails to respond to the Third-Party's contact attempts as described in this paragraph, the Fund Administrator, in her discretion, may deem such Preliminary Claimant an Unresponsive Preliminary Claimant.

### Dispute Process

44. Disputes will be limited to the trade information set forth in the Plan Notice. If a Preliminary Claimant disagrees with the trade information set forth in the Plan Notice, such dispute must be detailed in writing and returned to the Fund Administrator along with any supporting documentation within twenty-one (21) days of the final mailing of the Plan Notice to that Preliminary Claimant. The Fund Administrator will evaluate the dispute, and such evaluation will include a review of the written dispute as well as any supporting documentation.

### Final Determination Notices

45. Within sixty (60) days of the final mailing of the Plan Notice to the Preliminary Claimant, the Third-Party will send a Final Determination Notice to those Preliminary Claimants who submitted a written dispute of the trade information set forth in the Plan Notice, notifying the Preliminary Claimant of the Fund Administrator's resolution of the dispute; and to those Preliminary Claimants who have not responded to the Plan Notice as described in paragraph 40, except for those whose Plan Notice were returned as undeliverable, notifying the Preliminary Claimant that he, she, or it has been deemed an Unresponsive Preliminary Claimant. A Final Determination Notice will not be sent to a Preliminary Claimant if their Plan Notice was returned as "undeliverable." The Final Determination Notice will constitute the Fund Administrator's final ruling regarding the eligibility status and loss calculation and is not subject to appeal.

### Distribution Methodology

46. Each Preliminary Claimant's Recognized Loss has been calculated in accordance with the Plan of Allocation. All Preliminary Claimants who are determined to have a Recognized Loss, who are not deemed an Excluded Party or an Unresponsive Preliminary Claimant, and who will receive a Distribution Payment, will be deemed a Payee.

### Establishment of a Reserve

47. 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”).

48. 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 60.

#### Preparation of the Payment File

49. Within one hundred eighty (180) days of Commission approval of the Plan, the Third-Party will compile the Payee information, including the name, address, calculated Recognized Loss, and the amount of the Distribution Payment for all Payees (the “Payee List”). The Third-Party will also provide a Reasonable Assurances Letter to the Commission staff, representing that the Payee List: (a) was compiled in accordance with the approved Plan; (b) is accurate as to Payees’ names, addresses, Recognized Losses and amounts of their Distribution Payment; (c) includes the number of Payees compensated; (d) the percentage of the Payee’s Recognized Loss being compensated by the disbursement from the Fair Fund, and if applicable, the total percentage to include all prior disbursements; (e) the total amount of funds to be disbursed, and if applicable, the total amount of such funds to be withheld pursuant to paragraph 51; and (f) provides all information necessary to make a payment to each Payee.

#### The Escrow Account

50. 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.

#### Distribution of the Morgan Stanley Fair Fund

51. 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 authorizing the disbursement of 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.

52. 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.

53. All checks will bear a stale date of one hundred eighty (180) days from the date of issuance. Checks that are not negotiated by the stale date will be voided, and the Third-Party will request that the Bank 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 Morgan Stanley Fair Fund, except as provided in paragraph 54.

54. 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 their tax advisor for advice regarding the tax treatment of the distribution; however, any backup withholding required under IRC § 3406(a) and the regulations promulgated thereunder, or withholding required with respect to nonresident aliens (“NRAs”) under Chapter 3 of the IRC, or FATCA-subject Payees under Chapter 4 of the IRC, will be withheld as required from the Distribution Payment and remitted to the Internal Revenue Service on the Payee’s behalf; (c) a statement that checks will be void and cannot be reissued after one (1) year from the date the original check was issued; and (d) contact information for the Fund Administrator for questions regarding the Distribution Payment. The letter or other mailings to Payees characterizing a Distribution Payment will be prepared by the Tax Administrator and provided to the Commission staff for review and approval.

55. All Distribution Payments, either on their face or in the accompanying mailing, will clearly indicate that the money is being distributed from the Morgan Stanley Fair Fund established by the Commission to compensate investors for harm they suffered because of securities law violations.

#### Post Distribution; Handing of Returned or Uncashed Checks; and Reissues

56. 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 cause the check to be sent 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 Fund Administrator, in her discretion, may remove such Payee from the distribution and the allocated Distribution Payment will remain in the Morgan Stanley Fair Fund for distribution, if feasible, to the remaining Payees.

57. The Fund Administrator will direct the Third-Party to have checks or electronic payments reissued to Payees upon the receipt of a valid, written request from the Payee if made 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 request 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, in consultation with the Fund Administrator, will review the documentation to determine the authenticity and propriety of the change request. If, in the discretion of the Fund Administrator, such change request is properly documented, the Third-Party, at the direction of the Fund Administrator, will have an appropriately redrawn Distribution Payment issued to the requesting party. Reissued checks will be void at the later of one hundred eighty (180) days from issuance of the original check or sixty (60) days from the reissuance, and in no event will a check be reissued after one hundred eighty (180) days from the date of the original issuance without the approval of Commission staff.

58. 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 Morgan Stanley Fair Fund.

59. The Third-Party will make and document its best efforts to contact Payees to follow-up on the status of uncashed distribution checks (other than those returned as “undeliverable”) or undelivered electronic payments and take appropriate action to follow-up on the status of those payments. The Fund Administrator may cause the reissue of such checks and payments, subject to the time limits detailed herein.

60. 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

61. Should any additional funds be received pursuant to Commission or Court order, agreement, or otherwise, prior to the Commission’s termination of the Morgan Stanley Fair Fund, such funds will be added to and become a part of the Morgan Stanley Fair Fund and distributed, if feasible, in accordance with the Plan.

#### Disposition of Undistributed Funds

62. If funds remain following the initial distribution, the Fund Administrator, in consultation with the Commission staff, may seek subsequent distribution(s) of any remaining funds in accordance with the Plan and pursuant to the Commission’s Rules.

63. A residual will be established for any amounts remaining after the final disbursement to Payees from the Morgan Stanley 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 that were not delivered or were returned to the Commission, and tax refunds received due to the Fair Fund’s overpayment of taxes or for waiver of IRS penalties.

64. Once the Fund Administrator deems further distribution of the Morgan Stanley Fair Fund to investors infeasible, the Fund Administrator will direct the Third-Party to instruct the Bank to stop payment on any uncashed Distribution Payments, and within forty-five (45) days, the Third-Party will return any remaining funds to the Commission to become part of the Residual.

65. All funds remaining in the Residual that are infeasible to distribute to investors will be transferred to the Treasury 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 their own wrongdoing. Therefore, in these circumstances, distributing disgorged funds to the Treasury is the most equitable alternative.

#### Administrative Costs

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

#### Accountings

67. When all funds have been disbursed, except for the Residual described in paragraph 60 of the Plan, the Third-Party will submit to the Fund Administrator a final report (the "Third-Party Final Report") that includes an accounting of all funds disbursed to the Bank. The Third-Party Final Report will include, at a minimum, the number and total amount of Distribution Payments sent to Payees, and the number and total amount of Distribution Payments successfully disbursed (i.e., cashed or electronically transferred) to Payees, and the amount of funds returned to the Commission, pursuant to paragraph 61. The Third-Party Final Report must be endorsed by a declaration executed by the Third-Party under penalty of perjury under the laws of the United States.

68. Upon receipt of the Third-Party's Final Report described above, 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 Morgan Stanley 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 Morgan Stanley Fair Fund

69. The Morgan Stanley Fair Fund will be eligible for termination and the Fund Administrator will be eligible for discharge after all 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 Morgan Stanley Fair Fund has been returned to the Commission for transfer to the Treasury. Once the Commission has approved the final accounting, the Commission staff will seek an order from the Commission authorizing the: (a) transfer of the Residual that is infeasible to return to investors, and any amounts returned to the Morgan Stanley Fair Fund in the future that is infeasible to return to investors, to the general fund of the Treasury, subject to Section 21F(g)(3) of the Exchange Act; (b) discharge of the Fund Administrator; and (c) termination of the Morgan Stanley Fair Fund.

## Exhibit A

### PLAN OF ALLOCATION

This Plan of Allocation<sup>1</sup> is designed to compensate the Selling Shareholders for losses on their sales of blocks of shares of the Securities in the Transactions (listed on Exhibit B to the Plan) resulting from the conduct described in the Orders and as calculated using the methodology detailed below. Investors who did not suffer losses on sales of blocks of shares of the Securities in the Transactions are ineligible to recover under this Plan. Based on records and expert analysis obtained by the Commission staff during and after its investigation, the Commission staff has identified the Preliminary Claimants who may have suffered losses on their sales of blocks of shares of the Securities in the Transactions as a result of the conduct described in the Orders.

#### **I. Methodology**

Each Preliminary Claimant's loss ("Recognized Loss") has been calculated for each of the Transactions as the measured excess movement in the Security's price on its respective trade date, multiplied by the "deal size" (that is, the number of shares the Preliminary Claimant sold to the executing bank in the Transaction multiplied by the block sale price). The excess price movement was measured for each of the Transactions on its respective trade date through a statistical analysis of the Security's price movement on the respective trade date (after controlling for overall market movements on the dates) compared to the typical market-adjusted price movement associated with a set of comparable (in terms of recency and deal size) block trades not conducted exclusively through Morgan Stanley.

#### **II. Recognized Loss**

If the Recognized Loss calculates to a negative number, reflecting a gain, then the Recognized Loss will be \$0.00. If multiple Selling Shareholders participated in a Transaction, the Recognized Loss for that Transaction will be divided among them in proportion to their respective number of shares in the Transaction.

To avoid payment of a windfall, the Recognized Loss will be reduced by the amount of the Recovery, to the extent known by the Fund Administrator.

Any Preliminary Claimant who suffered a Recognized Loss pursuant to this Plan of Allocation, who is not an Excluded Party or an Unresponsive Preliminary Claimant, and who will receive a Distribution Payment, will be deemed a Payee.

#### **III. Allocation of Funds**

If the Net Available Fair Fund is equal to or exceeds the sum of Recognized Losses of all Payees, each Payee's distribution amount will equal his, her or its Recognized Loss, plus "Reasonable Interest" if applicable. If the Net Available Fair Fund is less than the sum of the Recognized Losses of all Payees, each Payee's distribution amount will equal his, her, or its, "Pro Rata Percentage" of the Net Available Fair Fund (and no Reasonable Interest).

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<sup>1</sup> All capitalized terms used in this Plan of Allocation but not defined are used as defined in the Plan.

A. Calculating a Payee's *Pro-Rata* Percentage

This computation is intended to measure Payees' Recognized Losses against one another. Each Payee's *Pro-Rata* Percentage will be calculated as the ratio of their Recognized Loss to the sum of Recognized Losses of all Payees.

B. Offset for Recovery

To avoid payment of a windfall, a Preliminary Claimant's distribution amount will be no larger than his, her, or its Recognized Loss minus the amount of the Recovery, to the extent known by the Fund Administrator, plus any Reasonable Interest awarded. That is, the distribution amount will be capped at the Recognized Loss less the Recovery, plus any Reasonable Interest awarded.

C. Reasonable Interest

If the Net Available Fair Fund exceeds the amount necessary to pay all Payees their Recognized Losses in full (minus their Recovery), the Fund Administrator, in consultation with the Commission staff, may include interest in the distribution amount to compensate Payees for the time value of money. Reasonable Interest will be calculated using the Short-term Applicable Federal Rate plus three percent (3%), compounded quarterly from the first day of the month following the respective trade date through the approximate date of the disbursement of the funds. If there are insufficient funds to pay Reasonable Interest in full, each Payee's Reasonable Interest amount will be equal to his, her or its *Pro Rata* Percentage of the available funds.

D. Distribution Payment

Each Payee will receive a Distribution Payment equal to his, her, or its distribution amount. In no event will a Payee receive from the Morgan Stanley Fair Fund more than its Recognized Loss less the Recovery, plus Reasonable Interest, if applicable.

**Exhibit B**

| <b>Transaction Identification</b> | <b>Selling Shareholder No.</b> | <b>Ticker</b> | <b>Trade Date</b>      | <b>No. of Shares Sold by Selling Shareholder to Executing Bank<sup>1</sup></b> | <b>Executing Bank</b>   |
|-----------------------------------|--------------------------------|---------------|------------------------|--|---|
| 1                                 | SS1                            | LULU          | 6/7/2018               | 6,700,000 shares   | Morgan Stanley & Co. LLC  |
| 2                                 | SS2                            | MEDP          | 6/11/2018              | 3,000,000 shares   | Morgan Stanley & Co. LLC  |
| 3                                 | SS3                            | GOOS          | 6/20/2018              | 8,400,000 shares   | Credit Suisse Securities (USA) LLC/Barclays Capital, Inc./CIBC WORLD MARKETS INC. |
| 3                                 | SS4                            | GOOS          | 6/20/2018              | 1,500,000 shares   | Credit Suisse Securities (USA) LLC/Barclays Capital, Inc./CIBC WORLD MARKETS INC. |
| 3                                 | SS5                            | GOOS          | 6/20/2018              | 100,000 shares   | Credit Suisse Securities (USA) LLC/Barclays Capital, Inc./CIBC WORLD MARKETS INC. |
| 4                                 | SS6                            | AMD           | 7/30/2018 <sup>2</sup> | 22,000,000 shares  | Credit Suisse Securities (USA) LLC  |
| 5                                 | SS2                            | MEDP          | 8/7/2018               | 5,175,000 shares   | Morgan Stanley & Co. LLC  |
| 6                                 | SS7                            | HSY           | 11/7/2018              | 4,050,000 shares   | Morgan Stanley & Co. LLC  |
| 7                                 | SS8                            | MYOK          | 2/13/2019              | 4,168,899 shares   | Morgan Stanley & Co. LLC  |
| 8                                 | SS9                            | NRZ           | 2/19/2019              | 46,297,096 shares  | Morgan Stanley & Co. LLC  |
| 9                                 | SS10                           | INVH          | 3/19/2019              | 40,000,000 shares  | Morgan Stanley & Co. LLC  |
| 9                                 | SS11                           | INVH          | 3/19/2019              | 3,000,000 shares   | Morgan Stanley & Co. LLC  |
| 10                                | SS1                            | LULU          | 3/28/2019              | 4,000,000 shares   | Morgan Stanley & Co. LLC  |

<sup>1</sup> For some trades, the figure in this column is the sum of (i) the base trade and (ii) a “greenshoe” or overallotment option that may have been exercised on a different date than the base trade. A “greenshoe” or overallotment option is a provision that grants the executing bank the right to purchase additional shares within a number of days after the base trade is executed.

<sup>2</sup> The date listed for this trade is the date of Morgan Stanley’s bid on the block; the trade was executed (with Credit Suisse) on a later date.

| <b>Transaction Identification</b> | <b>Selling Shareholder No.</b> | <b>Ticker</b> | <b>Trade Date</b> | <b>No. of Shares Sold by Selling Shareholder to Executing Bank<sup>3</sup></b> | <b>Executing Bank</b>    |
|-----------------------------------|--------------------------------|---------------|-------------------|--|--------------------------|
| 11                                | SS8                            | ALNY          | 5/2/2019          | 10,554,134 shares  | Morgan Stanley & Co. LLC |
| 12                                | SS12                           | QSR           | 8/9/2019          | 24,000,000 shares  | Morgan Stanley & Co. LLC |
| 13                                | SS12                           | QSR           | 9/3/2019          | 16,960,717 shares  | Morgan Stanley & Co. LLC |
| 14                                | SS13                           | CSX           | 10/17/2019        | 18,769,337 shares  | Goldman Sachs & Co. LLC  |
| 15                                | SS14                           | MRNA          | 5/18/2020         | 20,240,000 shares  | Morgan Stanley & Co. LLC |
| 16                                | SS15                           | EDIT          | 6/23/2020         | 6,900,000 shares   | Morgan Stanley & Co. LLC |
| 17                                | SS16                           | RVLV          | 8/17/2020         | 5,000,000 shares   | Morgan Stanley & Co. LLC |
| 18                                | SS16                           | RVLV          | 9/10/2020         | 4,000,000 shares   | Morgan Stanley & Co. LLC |
| 19                                | SS16                           | RVLV          | 11/17/2020        | 5,128,817 shares   | Morgan Stanley & Co. LLC |
| 20                                | SS17                           | BIGC          | 12/10/2020        | 1,400,000 shares   | Morgan Stanley & Co. LLC |
| 20                                | SS18                           | BIGC          | 12/10/2020        | 500,000 shares   | Morgan Stanley & Co. LLC |
| 21                                | SS19                           | PLTR          | 2/18/2021         | 13,170,469 shares  | Morgan Stanley & Co. LLC |
| 22                                | SS20                           | SPRB          | 5/19/2021         | 475,000 shares   | Morgan Stanley & Co. LLC |
| 23                                | SS21                           | SBLK          | 5/25/2021         | 10,630,000 shares  | Morgan Stanley & Co. LLC |
| 24                                | SS20                           | INGN          | 6/2/2021          | 680,000 shares   | Morgan Stanley & Co. LLC |
| 25                                | SS22                           | PING          | 6/14/2021         | 6,487,000 shares   | Morgan Stanley & Co. LLC |
| 26                                | SS21                           | SBLK          | 6/21/2021         | 2,382,775 shares   | Morgan Stanley & Co. LLC |

<sup>3</sup> For some trades, the figure in this column is the sum of (i) the base trade and (ii) a “greenshoe” or overallotment option that may have been exercised on a different date than the base trade. A “greenshoe” or overallotment option is a provision that grants the executing bank the right to purchase additional shares within a number of days after the base trade is executed.

| <b>Transaction Identification</b> | <b>Selling Shareholder No.</b> | <b>Ticker</b> | <b>Trade Date</b> | <b>No. of Shares Sold by Selling Shareholder to Executing Bank<sup>4</sup></b> | <b>Executing Bank</b>    |
|-----------------------------------|--------------------------------|---------------|-------------------|--|--------------------------|
| 27                                | SS12                           | QSR           | 8/4/2021          | 9,608,744 shares   | Morgan Stanley & Co. LLC |
| 28                                | SS20                           | MORF          | 8/6/2021          | 595,000 shares   | Morgan Stanley & Co. LLC |

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<sup>4</sup> For some trades, the figure in this column is the sum of (i) the base trade and (ii) a “greenshoe” or overallotment option that may have been exercised on a different date than the base trade. A “greenshoe” or overallotment option is a provision that grants the executing bank the right to purchase additional shares within a number of days after the base trade is executed.