

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 103860 / September 4, 2025**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-15982**

<hr/>	:	<b>ORDER AUTHORIZING THE TRANSFER TO THE</b>
<b>In the Matter of</b>	:	<b>U.S. DEPARTMENT OF THE TREASURY OF THE</b>
	:	<b>REMAINING FUNDS AND ANY FUNDS RETURNED</b>
<b>MORGAN STANLEY AND CO.</b>	:	<b>TO THE FAIR FUND IN THE FUTURE,</b>
<b>LLC; MORGAN STANLEY ABS</b>	:	<b>DISCHARGING THE FUND ADMINISTRATOR,</b>
<b>CAPITAL I INC.; and MORGAN</b>	:	<b>CANCELING THE ADMINISTRATOR'S BOND,</b>
<b>STANLEY MORTGAGE</b>	:	<b>AND TERMINATING THE FAIR FUND</b>
<b>CAPITAL HOLDINGS LLC,</b>	:	
	:	
<b>Respondents.</b>	:	
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On July 24, 2014, the Commission issued an Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Making Findings, and a Cease-and-Desist Order (the “Order”)<sup>1</sup> against Morgan Stanley and Co. LLC, Morgan Stanley ABS Capital I Inc., and Morgan Stanley Mortgage Capital Holdings LLC (collectively, the “Respondents”). In the Order, the Commission found that the Respondents violated Sections 17(a)(2) and (3) of the Securities Act.

Among other things, the Commission ordered the Respondents to pay, jointly and severally, disgorgement of \$160,627,852, prejudgment interest of \$17,995,437, and a civil penalty of \$96,376,711, for a total of \$275,000,000 to the Commission. In the Order, the Commission created a Fair Fund, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so the civil penalty collected, along with the disgorgement and prejudgment interest collected, could be distributed to harmed investors (the “Fair Fund”). The Respondent paid a total of \$275,000,000 pursuant to the Order, comprising the Fair Fund. The Fair Fund was deposited in a Commission-designated account at the U.S. Department of the Treasury (the “Treasury”), and any accrued interest was added to the Fair Fund. The Commission further ordered the Respondents to pay all reasonable administrative costs and expenses, including the fees and expenses of a tax administrator.

On February 6, 2015, the Commission appointed Damasco and Associates LLP (“Damasco”), which was subsequently acquired by Miller Kaplan Arase LLP (“Miller

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<sup>1</sup> Securities Act Rel. No. 9617 (July 24, 2014).

Kaplan”),<sup>2</sup> as the tax administrator (“Tax Administrator”) in the proceedings to handle all tax-related obligations of the Fair Fund.

On February 4, 2016, the Division of Enforcement, pursuant to delegated authority, issued an order appointing Garden City Group LLC<sup>3</sup> as the Fund Administrator of the Fair Fund and set the administrator’s bond amount.<sup>4</sup>

On May 31, 2019, the Division of Enforcement, pursuant to delegated authority, published a Notice of Proposed Plan of Distribution and Opportunity for Comment (“Notice”),<sup>5</sup> pursuant to Rule 1103 of the Commission’s Rules on Fair Fund and Disgorgement Plans (the “Commission’s Rules”)<sup>6</sup> and simultaneously posted the Proposed Plan of Distribution (the “Proposed Plan”). The Notice advised interested persons that they could obtain a copy of the Proposed Plan by submitting a written request to Adriene Mixon, Esq., Assistant Chief Litigation Counsel, United States Securities and Exchange Commission, 444 South Flower Street, Suite 900, Los Angeles, CA 90071. The Notice also advised that all persons desiring to comment on the Proposed Plan could submit their comments, in writing, within 30 days of the Notice. The Commission received a comment on the Proposed Plan during the comment period. On November 30, 2019, the Commission, by its Secretary pursuant to delegated authority, issued an order pursuant to Rule 1104 of the Commission’s Rules on Fair Fund and Disgorgement Plans (“Rules”),<sup>7</sup> for good cause shown, extending the time to enter an order approving or disapproving the plan of distribution to November 30, 2019.<sup>8</sup>

On June 30, 2020, after review and consideration of the comment received, the Commission issued an order approving the Proposed Plan without modification,<sup>9</sup> and posted the approved Plan of Distribution (the “Plan”). Any remaining funds following distribution to harmed to investors were to be transferred to the Treasury and the Fair Fund terminated, subject to the Commission’s approval of the Fund Administrator’s final accounting.

On September 16, 2021, the Commission issued an Order Directing Disbursement of the Fair Fund.<sup>10</sup> As ordered by the Commission, the Fund Administrator distributed a total of \$124,758,618.37 from the Fair Fund, pursuant to the Plan.<sup>11</sup> The amount of \$ 120,502,845.72 was successfully disbursed and cashed by recipient investors resulting in 36 harmed investors being fully compensated for their losses plus reasonable interest.

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<sup>2</sup> As of October 1, 2016, Damasco & Associates LLP became a part of Miller Kaplan Arase LLP. The firm’s engagement with the SEC and its ability to carry out its duties as appointed Tax Administrator for this matter has not changed.

<sup>3</sup> On June 15, 2018, Epiq Class Action and Claims Solutions, Inc. acquired GCG, and GCG is now continuing operations as part of Epiq. The firm’s engagement with the SEC and its ability to carry out its duties as appointed Distribution Agent for this case has not changed.

<sup>4</sup> Exchange Act Rel. No. 77063 (Feb. 4, 2016).

<sup>5</sup> Exchange Act Rel. No. 85998 (May 31, 2019).

<sup>6</sup> 17 C.F.R. § 201.1103.

<sup>7</sup> 17 C.F.R. § 201.1104.

<sup>8</sup> Exchange Act. Rel. No. 8674 (July 25, 2019).

<sup>9</sup> Exchange Act Rel. No. 15982 (June 30, 2020).

<sup>10</sup> Exchange Act Rel. No. 93022 (Sept. 16, 2021).

<sup>11</sup> Exchange Act Rel. No. 97083 (Mar. 8, 2023).

The Fair Fund earned \$17,217,985.23 in interest and paid state and federal taxes of \$6,481,751.52 and investment/bank fees of \$59,345.65. The Respondents paid the fund administration expenses and all but \$4,457.16 of the tax administration fees and expenses, which was paid by the Fair Fund. The Fair Fund currently holds \$165,169,585.21, which is comprised of undeliverable and uncashed checks and accumulated interest and excess funds not needed to fully compensate investors

Pursuant to the Plan, the Fair Fund is eligible for termination and the Fund Administrator eligible for discharge and cancellation of its bond, after all of the following have occurred: (a) the final accounting has been submitted and has been approved by the Commission; (b) all taxes, fees and expenses have been paid; and (c) any amount remaining in the Fair Fund has been returned to the Commission for transfer to the Treasury.

The Commission staff has confirmed that the Fund Administrator has completed the distribution process in accordance with the Commission's orders, that all taxes, fees and expenses have been paid, and that all monies remaining in the Fair Fund have been received by the Commission. The final accounting, which was submitted to the Commission for approval, as required by Rule 1105(f) of the Commission's Rules, 17 C.F.R. § 201.1105(f), and as set forth in the Plan, has been approved.

Accordingly, it is ORDERED that:

- A. the remaining funds that are infeasible to return to investors, in the amount of \$165,169,585.21, and any funds returned to the Fair Fund in the future that are infeasible to return to investors, shall be transferred to the Treasury, subject to Section 21F(g)(3) of the Securities Exchange Act of 1934;
- B. the Fund Administrator, Garden City Group, LLC, n/k/a Epiq is discharged;
- C. the Fund Administrator's bond is canceled; and
- D. the Fair Fund is terminated.

For the Commission, by the Division of Enforcement, pursuant to delegated authority.<sup>12</sup>

Vanessa A. Countryman  
Secretary

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<sup>12</sup> 17 C.F.R. § 200.30-4(a)(21)(vii).