

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION

In the Matter of

Morgan Stanley and Co. LLC; Morgan Stanley ABS Capital I Inc.; and Morgan Stanley Mortgage Capital Holdings LLC  
Administrative Proceeding File No. 3-15982

**MORGAN STANLEY FAIR FUND NOTICE TO POTENTIALLY ELIGIBLE CLAIMANTS**

**TO: Persons or entities who purchased Eligible Certificates during the Eligible Purchase Periods.**

The term “Eligible Certificates” shall mean the certificates in the Morgan Stanley ABS Capital I Inc. Trust 2007-NC4 (“NC4”) and/or the Morgan Stanley ABS Capital I Inc. Trust 2007-HE7 (“HE7”). Eligible Purchase Periods means purchases made or before the date of the issuance of the first monthly remittance report issued to investors by the securities administrator for the Trust and not sold within that time-frame. For NC4, the Eligible Purchase Period ends on June 29, 2007. For HE7, the Eligible Purchase Period ends on October 24, 2007.

If you purchased Eligible Certificates during the Eligible Purchase Periods, you must submit a completed Proof of Claim Form with the necessary documentation so that it is postmarked or, if not sent by U.S. Mail, received by December 12, 2020 (the “Filing Deadline”) to be eligible to recover from the Fair Fund.

**I. Purpose of this Notice.**

The purpose of this Notice is to inform you that you may be entitled to share in the proceeds of the Fair Fund described herein. To be potentially eligible to share in the Fair Fund, you must file a Proof of Claim Form in accordance with the steps set forth in this Notice and in the Distribution Plan (the “Plan”) approved by the Securities and Exchange Commission (“SEC” or the “Commission”). Proof of Claim Forms together with this Notice are being mailed to Potentially Eligible Claimants who have purchased Eligible Certificates during the Eligible Purchase Periods. Copies of this Notice and the Proof of Claim Form are also available on the Fair Fund’s website at [www.MSFairFund.com](http://www.MSFairFund.com) and through the Commission’s website at [www.sec.gov](http://www.sec.gov). You are excluded from applying for a distribution if you fall within one of the categories outlined in Section III below.

Please Note: Receipt of this Notice does not mean you will be awarded a payment.

**NOTE TO INSTITUTIONAL FILERS.** Claims with 100 or more transactions or on behalf of 20 or more different accounts must be submitted electronically and in the format specified by the Fund Plan Administrator. To obtain the mandatory electronic filing requirements and file layout, you may visit the Fair Fund’s website at [www.MSFairFund.com](http://www.MSFairFund.com) or you may e-mail the Fund Plan Administrator at [Questions@MSFairFund.com](mailto:Questions@MSFairFund.com). Any submission not in accordance with the required electronic filing format may be rejected. Proof of authority to submit a Proof of Claim Form on behalf of any managed accounts must be submitted with any Proof of Claim Forms for such accounts. If you intend to file electronically, you can submit and track the history of your claims by using the Fund Plan Administrator’s secure website, GCG ICE™ ([www.gcgice.com](http://www.gcgice.com)), which is available 24/7. GCG ICE™ allows institutional investors to upload electronic claims and documents, track the history and status of submissions, view claim rejections and instructions as to how to fix them, update contact information, and receive important status alerts via e-mail.

**PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. IF YOU SATISFY THE ELIGIBILITY CRITERIA DESCRIBED BELOW, YOU MAY BE ENTITLED TO A RECOVERY FROM THE FAIR FUND. THIS NOTICE CONTAINS IMPORTANT INFORMATION REGARDING YOUR ABILITY TO SHARE IN THE FAIR FUND.**

**II. Background.**

On July 24, 2014 the Commission issued an Order Instituting Cease-and-Desist Proceedings pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-and-Desist Order (“Order”)<sup>1</sup> against Morgan Stanley and Co. LLC (f/k/a Morgan Stanley and Co. Incorporated), Morgan Stanley ABS Capital I Inc., and Morgan Stanley Mortgage Capital Holdings LLC (collectively “Morgan Stanley” or “Respondents”). The Order authorized the creation of a Fair Fund pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended.

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

The Commission charged Morgan Stanley and Co. LLC and its affiliates with misleading public disclosures regarding the number of delinquent loans in two subprime residential mortgage-backed securities transactions offered in 2007 – NC4 and HE7 (collectively, the “Trusts”), in violation of Sections 17(a)(2) and (3) of the Securities Act of 1933 (“Securities Act”). As stated in the Order, Morgan Stanley failed to remove or accurately disclose loans with either current and/or historical delinquencies made in each transaction offering documents.

Pursuant to the Order, Respondents paid disgorgement of \$160,627,852, prejudgment interest of \$17,995,437 and a civil money penalty of \$96,376,711, for a total of \$275,000,000 to be distributed to harmed investors. On February 6, 2015, Tax Administrator, Damasco & Associates, LLP, now known as Miller Kaplan Arase, LLP, was appointed to handle the tax obligations of the Fund.<sup>2</sup> On February 4, 2016, the Court entered an Order appointing Garden City Group, LLC (“GCG”) now known as Epiq Class Action and Claims Solutions (“Epiq”) as the Fund Plan Administrator to assist in developing a Distribution Plan to distribute monies in the Fair Fund to investors harmed by the violations alleged in the Order.

The SEC approved the Plan in its entirety on June 30, 2020.

### **III. Eligibility Criteria and the Distribution Formula.**

To qualify for a payment from the Fair Fund, you must have purchased Eligible Certificates before the date of the issuance of the first monthly remittance report issued to investors by the securities administrator for the Trust and not sold before June 29, 2007 in the NC4 Trust and not before October 24, 2007 in the HE7 Trust as described in the Plan. The Plan is available on the Fair Fund’s website at [www.MSFairFund.com](http://www.MSFairFund.com).

You are excluded from participation in the Fair Fund if you are a Respondent or any other entity or individual who (a) are or have at any time been a parent, subsidiary, affiliate, partner or member of Respondents, (b) exercised control of or were controlled by Respondents, or (c) during the period 2007 to the present, were employed by, or served as officers or directors, or were members of Respondents or any other entity that is deemed to be an Excluded Party pursuant to parts (a) and (b) hereof.

An Eligible Claimant’s Recognized Claim Amount shall be the compensable allocation amount calculated pursuant to the methodology of the Plan of Allocation set forth at paragraphs 59 through 64 in the Plan. The Recognized Claim Amount will be calculated using his, her or its initial purchase amounts of Eligible Certificates in each Trust. The Net Available Fair Fund will be allocated among the Trusts as follows:

- a. NC4 – 14% of the Net Available Fair Fund
- b. HE7 – 86% of the Net Available Fair Fund

The Preliminary Recovery Amount will be calculated for each investor by dividing the investor’s initial purchase amount in the Trust by the total offering size of the Trust and multiplying by the Net Available Fair fund allocated to that Trust. For example, if an investor’s initial purchase in HE7 Eligible Certificates were 5% of the offering amount of HE7, the investor’s Preliminary Recovery Amount would be 5% of the Net Available Fair Fund allocated to HE7.

To the extent that not all investors in a Trust submit valid claims, unclaimed or remaining amounts may be allocated to the Eligible Claimants who do submit valid claims, thereby increasing the Recognized Claim Amounts for those claimants above their Preliminary Recovery Amounts, subject to the Recovery Cap provisions set forth in paragraph 62 of the Plan. Such allocation will be on a *pro rata* basis, according to the Eligible Claimant’s initial purchase amount relative to the sum of initial purchase amounts of all Eligible Claimants who submit valid claims.

Pursuant to the Order, Respondents, shall joint and severally, pay all reasonable administrative costs and expenses of the distribution, including the fees and expenses of the Tax Administrator and Fund Plan Administrator.

### **IV. Proof of Claim Forms.**

A PROOF OF CLAIM FORM IS BEING MAILED TOGETHER WITH THIS NOTICE TO ALL POTENTIALLY ELIGIBLE CLAIMANTS KNOWN TO THE FUND PLAN ADMINISTRATOR. IF YOU DO NOT RECEIVE A FORM IN THE MAIL OR REQUIRE ADDITIONAL FORMS, SEE THE INSTRUCTIONS BELOW UNDER “ADDITIONAL INFORMATION,” FOR OBTAINING CLAIM FORMS.

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<sup>2</sup> See Order Appointing Fund Plan Administrator and Setting Administrator Bond Amount, Exchange Act Rel. No. 77063 (February 4, 2016)

**THE DEADLINE TO SUBMIT A PROOF OF CLAIM FORM AT THE ADDRESS OR EMAIL ADDRESS BELOW IS DECEMBER 12, 2020. IF YOU FAIL TO TIMELY SUBMIT A COMPLETED PROOF OF CLAIM FORM, YOU WILL BE BARRED FROM RECEIVING A PAYMENT FROM THE FAIR FUND. THE PROOF OF CLAIM FORM MUST BE ACCOMPANIED BY APPROPRIATE SUPPORTING DOCUMENTS FOR EACH TRANSACTION LISTED IN THE PROOF OF CLAIM FORM.**

If you submit a Proof of 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 of the opportunity to cure such deficiencies.

**V. Claim Determinations.**

The Fund Plan Administrator will mail a notice advising each Potentially Eligible Claimant that submitted a Proof of Claim Form of the determination concerning such claim. If a claim is denied in whole or in part, the Fund Plan Administrator will state the reason for such denial.

All determinations of the Fund Plan Administrator that are made in accordance with the Plan shall be final and not subject to appeal.

**VI. Instructions for Submitting a Proof of Claim Form.**

**YOU MUST COMPLETE AND SIGN THE PROOF OF CLAIM FORM AND SUBMIT IT TO THE FUND PLAN DECEMBER 12, 2020 AT THE ADDRESS OR EMAIL ADDRESS LISTED BELOW IN ORDER TO BE ELIGIBLE TO RECOVER FROM THE FAIR FUND:**

**Morgan Stanley Fair Fund  
P.O. Box 9349  
Dublin, OH 43017-4249  
Questions@MSFairFund.com**

**VII. Other Claims.**

Upon receipt and acceptance of a distribution from the Fair Fund, you shall be deemed to have released any claims you may have against the Fund Plan Administrator and its agents. By participating in the distribution of the Fair Fund, you will not be releasing any rights or claims you may have against any other party, including, but not limited to, Respondents and Respondents' past or present directors, officers, employees, advisers and agents.

**VIII. Special Notice to Securities Brokers and Other Nominee Purchasers.**

If you purchased Eligible Certificates during the Eligible Purchase Periods as nominee for a beneficial owner and have additional names and addresses, then within fourteen (14) 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 Fund Plan Administrator at the address above.

**IX. Additional Information.**

Additional information regarding the Fair Fund may be found at [www.MSFairFund.com](http://www.MSFairFund.com). The Notice and Proof of Claim Form may also be downloaded at the Fair Fund's website. You may obtain additional information or request copies of forms and notices by calling the Morgan Stanley Fair Fund's toll-free hotline at (855) 907-3235 in the United States, or by email at Questions@MSFairFund.com

**PLEASE CHECK THE WEBSITE WWW.MSFAIRFUND.COM FREQUENTLY FOR UPDATES**