

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

MURDOCH SECURITY & INVESTIGATIONS,
INC., ROBERT GOLDSTEIN, and WILLIAM
VASSELL,

Defendants.

Civil No. 11-cv-7076 (JGK)

**PLAINTIFF SECURITIES AND EXCHANGE COMMISSION'S MOTION AND
MEMORANDUM IN SUPPORT OF ORDER TO THE CLERK OF THE COURT TO
TURN OVER FUNDS ON DEPOSIT WITH THE COURT REGISTRY TO THE
DISTRIBUTION AGENT**

Plaintiff, the United States Securities and Exchange Commission (the "Commission" or "SEC"), respectfully requests that the Court enter an Order for the Clerk of Court:

1. Directing the Clerk of the Court to issue a check to the distribution agent, Kurtzman Carson Consultants LLC (hereafter "Distribution Agent") from the CRIS account number 11-cv-7076, under the case name designation "*SEC v. Murdoch Security & Investigations, Inc., et al.*" for all of the funds in the CRIS accounts representing the SEC v. Murdoch Distribution Fund ("Fair Fund" or "Fund"), minus court registry fees, totaling approximately \$742,036; and
2. Directing the Distribution Agent to:
 - a. Deposit these funds pursuant to Paragraph 28 of the Distribution Plan; and
 - b. Distribute these funds to Eligible Recipients in accordance with the terms of the Distribution Plan.

MEMORANDUM

Procedural Background

On February 17, 2012, the Commission filed an Amended Complaint¹ alleging, *inter alia*, that Defendants Murdoch Security & Investigations, Inc. (“MSI”), Robert Goldstein (“Goldstein”), and William Vassell (“Vassell”) provided investors with a wide array of false and otherwise misleading information in an effort to sell unregistered MSI securities promising investors payment of principal plus 22% interest per year and equity shares in MSI. MSI raised approximately \$1.5 million through the sale of MSI Equity Shares from approximately January 2009 through at least July 2011.

On November 15, 2012, the Court entered Final Judgments against Goldstein and Vassell (collectively, “Final Judgments”).² Goldstein was ordered to pay \$750,000 in disgorgement within 548 days to the New York County District Attorney’s Office (the “District Attorney’s Office”) pursuant to an order of forfeiture entered against Goldstein in a related criminal case. Upon receipt of the payment, the District Attorney’s Office was ordered to remit the funds to the Clerk of this Court for deposit with the Court Registry Investment System (“CRIS”). These funds were deposited into the CRIS on October 10, 2013. Vassell was ordered to pay \$86,500 in disgorgement, \$1,000 in prejudgment interest and a \$20,000 civil penalty for a total of \$107,500 to the Clerk of this Court for deposit into the CRIS. Vassell has not made any payments to date.

In total, the Defendants were ordered to pay \$857,500. To date, \$750,000 has been paid to the Court and the Commission is unlikely to collect any additional funds.

¹ The initial complaint was filed on October 7, 2011.

² A final judgment was not entered against MSI. Instead, the Commission voluntarily dismissed its claims on December 14, 2012, after MSI filed for bankruptcy pursuant to Chapter 7 of the U.S. Bankruptcy code.

On March 10, 2015, this Court appointed Kurtzman Carson Consultants as Distribution Agent (“Distribution Agent”) to assist in overseeing the administration of the Distribution Fund in coordination with Commission staff, pursuant to the terms of the Distribution Plan.

To identify potential eligible distribution fund recipients, the Distribution Agent obtained and analyzed records provided by various parties including (a) the Commission; (b) MSI; (c) Robert Goldstein; and (d) William Vassell. The Distribution Agent identified 92 injured investors who purchased Equity Shares between January 6, 2010,³ through July 2011 and those who purchased Notes between October 2010 and August 2011. Those injured investors are eligible for a distribution from the distribution fund (“Eligible Distribution Fund Recipients”) based on the records obtained, including: (a) 72 investors invested in Equity Shares only (“Equity Investors”); (b) 11 investors invested in Notes only (“Notes Investors”); and (c) 9 investors invested in both Equity Shares and Notes.

Disbursement of Fair Fund

After withholding a reserve for the estimated fees and expenses of the Distribution Agent and Tax Administrator to complete the distribution, projected tax liabilities, and other anticipated costs, the Distribution Agent estimates the total funds available for distribution to eligible MSI Equity and Notes Investors (“Eligible Recipients”) to be approximately \$698,500. Therefore, it is estimated that \$428,899 (61.40%) will be allocated to eligible Equity Investors and \$269,601 (38.60%) will be allocated to eligible Notes Investors.

Distribution checks shall be issued on a pro rata basis to those ninety-three (93) harmed investors for which the SEC provided Recognized Loss amounts.

³ Commission staff selected January 6, 2010, as the start date for determining eligible purchases of Equity Shares to be included in a distribution because January 6, 2010, was the date that MSI issued a false press release concerning its overseas operations.

KCC will allocate pro rata payments to the twenty-one (21) harmed investors with unidentified address information. Both KCC and the SEC anticipate the distribution will encourage the twenty-one (21) harmed investors with unidentified address information to come forward and inquire with KCC about their distribution payments.

Pursuant to the Distribution Plan, the Distribution Agent has prepared and submitted to the Commission staff a list of Eligible Distribution Fund Recipients and payment amounts to each (the "Payee List").⁴ Each Eligible Distribution Fund Recipient will receive a *pro rata* share of the SEC v. Murdoch Distribution Fund available for distribution. The Payee List and the Affidavit has been reviewed by the undersigned Commission Counsel, who has no objections.

WHEREFORE, for all the foregoing reasons, the Commission respectfully requests that this Court enter the proposed Order and grant such other relief as it deems just and proper.

Dated: August 11, 2016

Respectfully Submitted,

/s/ Michael Shueyee Lim
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⁴ The Final Payee List shall, upon request, be made available to the Court under seal.