

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 100294 / June 6, 2024

ADMINISTRATIVE PROCEEDING
File No. 3-21923

In the Matter of	:	CORRECTED ORDER APPOINTING TAX
	:	ADMINISTRATOR AND DIRECTING
	:	PAYMENT OF CERTAIN FUNDS
Catalyst Capital Advisors LLC,	:	RECEIVED BY THE COMMISSION AND
	:	TRANSFER OF REMAINING FUNDS TO
Respondent.	:	THE U.S. TREASURY

On April 29, 2024, the Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 203(e) and 203(k) of the Investment Advisers Act of 1940 and Sections 9(b) and 9(f) of the Investment Company Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “Order”)¹ against Catalyst Capital Advisors LLC (“CCA” or “Respondent”). In the Order, the Commission found that CCA, a registered investment adviser, engaged in an impermissible joint legal fee arrangement with its client, Mutual Fund Series Trust (the “Trust”), an SEC-registered open-end investment company. CCA advised the Catalyst Hedged Futures Strategy Fund (“Hedged Futures Fund”), a series of the Trust. Beginning in February 2017, following significant losses incurred by the Hedged Futures Fund, and continuing through October 2020, CCA and the Trust incurred \$2.7 million in legal costs associated with previous inquiries from the Commission and another regulator (collectively, the “Regulatory Inquiries”), as well as with two related private lawsuits (the “Private Lawsuits”). CCA and the Trust both retained the same legal counsel (“Counsel”) to represent them in the Regulatory Inquiries and the Private Lawsuits. Without the approval or knowledge of the Trust’s independent trustees, CCA arranged for the Trust to pay, at least initially, all of the legal fees and related costs resulting from the Regulatory Inquiries and the Private Lawsuits, including the expenses associated with CCA’s legal representation. CCA accrued as liabilities certain of the legal expenses and later reimbursed the Trust for a portion of CCA’s expenses. Then, after the staff opened its investigation in this matter, the Trust requested that Counsel allocate expenses, and the independent trustees thereafter approved the recommended allocation and directed CCA to reimburse the Trust in accordance with that allocation for most of its remaining unreimbursed expenses, with interest. CCA benefited from this arrangement by deferring payment on its legal costs for multiple years, and by ultimately agreeing to an allocation with the Trust that was more advantageous to CCA than the final allocation determined by the Trust’s insurance carrier, which, subject to certain limitations, covered legal costs the carrier determined were allocable to and incurred by the Trust in connection with the Regulatory Inquiries and Private

¹ Advisers Act Rel. No. 6597 (Apr. 29, 2024).

Lawsuits. As a result of this arrangement, CCA violated Section 17(d) and Rule 17d-1 thereunder of the Investment Company Act and Section 206(2) of the Advisers Act.

The Commission ordered the Respondent to pay \$280,902.00 in disgorgement, \$183,757.00 of which was offset by a December 2023 payment to the Trust; \$30,081.00 in prejudgment interest; and a \$200,000.00 civil penalty. The Commission also created a Fair Fund, pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, so the penalty paid, along with the disgorgement and interest paid, can be distributed to harmed investors (the “Fair Fund”).

The Respondent has paid \$327,226.00, as ordered, which comprises the Fair Fund. The Fair Fund minus a reserve for taxes and related administrative expenses (the “Reserve”) is available for distribution to the Hedged Futures Fund.² Of this amount, \$133,493.72 will be distributed to the Hedged Futures Fund as full compensation, plus reasonable interest of \$3,550.93, for unreimbursed legal expenses and/or the time value of money CCA received.

The Fair Fund constitutes a qualified settlement fund (“QSF”) under Section of 468B(g) of the Internal Revenue Code (IRC), 26 U.S.C. § 468B(g), and related regulations, 26 C.F.R. §§ 1.468B-1 through 1.468B-5. The appointment of a tax administrator to fulfill the tax obligations of the Fair Fund is necessary. The appointment of Miller Kaplan Arase LLP (“Miller Kaplan”) is in accordance with the Omnibus Order Directing the Engagement of Two Tax Administrators for Appointment on a Case-By-Case Basis in Administrative Proceedings that Establish Distribution Funds (the “Omnibus Order”).³

Accordingly, it is ORDERED that:

- A. Miller Kaplan, in accordance with the Omnibus Order, is appointed Tax Administrator for the QSF in the above-referenced proceeding and shall work with the Commission staff to establish the Reserve;
- B. After withholding the Reserve, the Commission staff shall disburse \$137,044.65 to the Hedged Futures Fund;

² This Order has been corrected to direct payment to the Hedged Futures Fund, which incurred the expenses at issue.

³ Exchange Act Rel. No. 94845 (May 4, 2022).

- C. Any amounts remaining in the Fair Fund after completion of A and B above, that are infeasible to return to clients, and any amounts returned to the Fair Fund in the future that are infeasible to return to clients, shall be transferred to the general fund of the United States Treasury subject to Section 21F(g)(3) of the Securities Exchange Act of 1934; and
- D. Upon completion of C above, the Fair Fund is terminated.

By the Commission.

Vanessa A. Countryman
Secretary