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FOR IMMEDIATE RELEASE

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N.H. SECURITIES BUREAU REACHES SETTLEMENT WITH MORGAN STANLEY FOR \$435,000

Concord, N.H. (April 7, 2005) - The New Hampshire Bureau of Securities Regulation announced today its year- long investigation into improper sales and business practices of Morgan Stanley has culminated in a \$435,000 settlement with the New York based-firm. Mark Connolly, Bureau Director, said the Bureau's case primarily focused on the company's improper use of sales incentives, inadequate response to document requests, and lack of appropriate oversight of company agents.

In its consent agreement, the Bureau cites Morgan Stanley for carrying out sales campaigns in New Hampshire that focused on promoting certain proprietary funds, while offering compensation schemes that are not permissible under state and federal securities laws. One campaign was termed "Steak-a-thon," whereby over 100 steaks were awarded to agents located in New Hampshire branches based on sales of certain Morgan Stanley proprietary mutual funds. The Bureau further contends that the company attempted to shield the focus on Morgan Stanley products from the public as much as possible. Deputy Director and lead enforcement attorney, Jeffrey Spill, referred to a number of e-mails from company management to employees urging them to refrain from referring to the contests.

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The agreement also cites Morgan Stanley for improper and inadequate production of documents. "The company failed to produce requested documentation to the Bureau on several occasions," said Spill. "What we have seen is a consistent pattern of delay and obfuscation relating to document production in addition to inadequate record keeping, both here in New Hampshire, and in other jurisdictions. In fact, in a recent circuit court decision in the state of Florida, *Coleman Holding Inc. v. Morgan Stanley*, the company was cited for withholding the production of e-mails."

The Bureau further asserts that a Morgan Stanley agent solicited New Hampshire customers to purchase shares of four companies at a time when the shares were neither suitable for those clients, nor registered under the New Hampshire Uniform Securities Act. The Agent also engaged in trading in his own account and purchased shares of stocks that had been restricted by the company. The Agent's trading was excessive and not in compliance with company policy.

In addition to the \$425,000 administrative fine to be paid to the State of New Hampshire, the company will pay \$10,000 to the Bureau for the cost of the investigation. Morgan Stanley must also retain an independent consultant to review compliance and policy procedures and may be required to provide rescission to some clients in the coming months.

"This company needs to take a serious look at questionable patterns and certain business practices," said Bureau Director Connolly. "Morgan Stanley appears to have developed a pattern in its dealings with federal and state regulators which if not reversed, can only contribute to the erosion of confidence among clients and stockholders alike."