



NEWS RELEASE

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Colorado Securities Commissioner Agrees to Auction Rate Securities Settlement with Morgan Stanley & Co. Incorporated

Colorado Securities Commissioner Fred Joseph announced today the entry of a Consent Order that finalizes the terms of settlement between the Colorado Division of Securities and Morgan Stanley & Co. Incorporated. Under the settlement agreement, Morgan Stanley agreed to buy back in excess of \$127 million worth of auction rate securities from Colorado investors who found themselves unable to sell their securities after they had been frozen in the auction rate securities ("ARS") market.

The settlement concludes an investigation led by state securities regulators, including the Colorado Division of Securities, into allegations that Morgan Stanley, through its salespeople, advised certain clients that ARS were safe, liquid, and short-term investments when in fact ARS are bonds with long-term maturities, and their short-term liquidity was dependent upon the success of the auction process. Morgan Stanley failed to provide its sales or marketing staff with the training necessary to adequately explain these products or the mechanics of the auction process to the customers. Further, Morgan Stanley did not adequately train all of its brokers and financial advisers regarding the potential illiquidity of ARS, including the fact that Morgan Stanley may stop supporting the market. The ARS markets froze in February of 2008, triggering a flood of complaints from investors who could not withdraw money from their accounts. States received complaints from a wide range of investors who suffered significant financial damage because the money they were told was liquid was tied up in the frozen ARS market.

This settlement is the tenth that the Securities Commissioner has finalized. Previous settlements include Goldman Sachs, Deutsche Bank Securities, Citigroup Global Markets, Bank of America Securities, Credit Suisse Securities, JP Morgan Chase, Merrill Lynch, RBC Capital Markets, UBS Securities, and Wachovia Securities.

DORA is dedicated to preserving the integrity of the marketplace and is committed to promoting a fair and competitive business environment in Colorado. Consumer protection is our mission.

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