

MORGAN STANLEY

State Securities Regulators Announce Settlements with Morgan Stanley in Auction Rate Securities Investigations

Under terms of the settlement, Morgan Stanley has agreed to provide immediate liquidity to its retail investors who purchased auction rate securities through Morgan Stanley before February 13, 2008, and who are unable to sell those securities because of failed auctions, by offering to buy back the securities at par. The category of retail investors includes all individual investors, all charities and non-profits, and all institutional clients with account values and household values up to \$10 million. Morgan Stanley has made the offer effective immediately, and will complete all repurchases from investors who accept this offer by December 11, 2008.

Morgan Stanley will provide notice to its customers of the settlement terms and the firm will establish a dedicated telephone assistance line, with appropriate staff, to respond to questions from customers concerning the terms of the settlement.

Morgan Stanley will also:

- reimburse all retail investors who sold their auction rate securities at a discount after the market failed the difference between what they received and par;
- consent to a special, public arbitration procedure to resolve claims of consequential damages suffered by retail investors as a result of not being able to access their funds, in which the firm will concede liability for purposes of arbitration on the question of the illiquidity of auction rate securities;
- provide acceptable liquidity solutions to all other institutional investors by December 11, 2008; and
- reimburse all refinancing fees to any state municipal issuers who issued auction rate securities in the initial primary market between August 1, 2007 and February 11, 2008, who refinanced those securities after February 11, 2008.

Courtesy North American Securities Administrators Association, *State Securities Regulators Announce Settlements with JP Morgan, Morgan Stanley in Auction Rate Securities Investigations*, August 14, 2008.