ARIZONA CORPORATION COMMISSION

FOR IMMEDIATE RELEASE: November 30, 2009 CONTACT: Rebecca Wilder (602) 542-0844

Commission Approves Settlements with Morgan Stanley and Merrill Lynch—Arizona to Receive over $840,520

Also Sanctions Promoters of Unregistered Real Estate Investment Programs

PHOENIX, AZ—As a result of approving two major securities settlements today, the Arizona Corporation Commission will add over $840,520 to the state's general fund. The Commission approved consent orders requiring Morgan Stanley & Co., Inc. to pay a $496,120 administrative penalty in connection with its auction-rate securities (ARS) sales in Arizona and Merrill Lynch, Pierce, Fenner & Smith, Inc. to pay a $344,400 administrative penalty for failing to reasonably supervise its client assistants who sold securities without being registered. In other cases, the Commission approved orders requiring the payment of over $788,336 in restitution and $75,000 in administrative penalties.

The penalty amount levied against Morgan Stanley represents Arizona's pro-rata share of a $35 million global settlement negotiated by a multistate task force of state regulators formed by the North American Securities Administrators Association (NASAA). The agreement marks the ninth settlement of an ARS case in Arizona since the widespread market failure last year. In the past nine months, the Commission has sanctioned Credit Suisse Securities, LLC, JP Morgan Chase & Company, Deutsche Bank Securities, Inc., RBC Capital Markets, Merrill Lynch, Wachovia Securities, LLC, Wachovia Capital Markets, LLC, Citigroup Global Markets, Banc of America Securities, LLC, and Banc of America Investment Services, Inc. Among the principal components of the Morgan Stanley settlement is the buyback of ARS from investors who purchased them from or through Morgan Stanley. In Arizona, the Morgan Stanley buyback involves 200 Arizona investors and over $41.85 million in ARS.

The Commission found that certain Morgan Stanley employees misled investors about ARS by marketing the securities as safe, highly liquid, cash-alternative investments when ARS are actually long-term investments subject to a complex auction process that, upon failure, can lead to illiquidity and financial loss. Additionally, the Commission found that Morgan Stanley failed to reasonably supervise its employees by not adequately training its securities salesmen and financial advisers regarding the potential illiquidity of ARS, including the fact that Morgan Stanley might stop supporting the auction.

For eligible customers, Morgan Stanley agreed to buyback at par any ARS purchased from Morgan Stanley prior to February 13, 2008. To each investor who sold ARS below par between February 13, 2008 and August 13, 2008, Morgan Stanley agreed to reimburse any investor who sold at a financial loss. Additionally, Morgan Stanley agreed to refund refinancing fees from specified municipal ARS issuers, make a best effort to expeditiously provide liquidity solutions for institutional investors. Any investor who purchased ARS from Morgan Stanley during the specified time frame, but has not received notice from them, should contact Morgan Stanley's dedicated ARS hotline at 1-800-566-2273 to request a repurchase.

In settling this matter, Morgan Stanley neither admits nor denies the Commission findings, but agrees to the entry of the consent order. This consent order is the final step in Arizona's ARS case against Morgan Stanley.

The $344,400 administrative penalty levied against Merrill Lynch represents Arizona's pro-rata share of a $26.563 million global settlement negotiated by multiple state securities regulators. The multistate investigation revealed that many of Merrill Lynch's client assistants engaged in the sale of securities without being registered as securities salesmen. The Commission found that Merrill Lynch failed to reasonably supervise its salesmen by lacking an adequate system to monitor the registration status of its employees who accepted trade orders from customers. In addition to penalties, Merrill Lynch agreed to implement an electronic system that will prevent a person from accepting or entering any client orders without being registered as a securities salesman. Merrill Lynch began this new system in June 2009 and expects full implementation by the end of 2009. In settling this matter, Merrill Lynch neither confirms nor denies the Commission's findings, but agrees to the entry of the consent order.

In a separate case, the Commission ordered Scottsdale resident Robert Bornholdt to pay $767,500 in restitution and $50,000 in administrative penalties for selling unregistered securities in a real estate investment program. Bornholdt was a licensed real estate broker, but was not registered to offer or sell securities in Arizona. While working as an employee of Mark Bosworth & Associates, LLC and under Bosworth's direction, Bornholdt sold the investment program to five investors, representing that their money would be used to buy commercial buildings under construction to be leased out and eventually sold for substantial gains. In settling this matter, Bornholdt agrees to the entry of the consent order and admits to the Commission's findings only for purposes of the administrative proceeding.

In another case, the Commission ordered Randy K. Ward of Anthem to pay $20,836 in restitution and $25,000 in administrative penalties for committing securities fraud in connection with an unregistered real estate investment program. Ward, who did business as Arizona Asset Management, is a former registered securities salesman, but was not registered to sell securities in Arizona during the time he fraudulently sold promissory notes to 18 elderly investors who sought to reinvest their matured certificates of deposit or annuities. The Commission found that Ward failed to inform investors that the real estate development was already encumbered by a mortgage and that the State of California had taken legal action against him for securities violations. In settling this matter, Ward agrees to the entry of the consent order and admits to the Commission's findings only for purposes of the administrative proceeding.

Penalties and settlements arising from securities law violations are directed by law to the Arizona General Fund and do not remain with the Arizona Corporation Commission. The Commission's funding is appropriated through the normal state budget process.

More caution for investors:

Even when investing with someone they know, investors should verify the registration of sellers and investment opportunities and investigate disciplinary histories by contacting the Arizona Corporation Commission's Securities Division at 602-542-4242 or toll free in Arizona at 1-866-VERIFY-9. The Division's investor education web site also has helpful information at www.azinvestor.gov**.**

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