



NEWS RELEASE

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For Immediate Release
November 2, 2012

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Attorney General Alan Wilson Announces Morgan Keegan States' Fund Settlement Checks to be Distributed November 5

COLUMBIA, SC - South Carolina Attorney General Alan Wilson announced today state securities regulators from South Carolina, Alabama, Kentucky, Mississippi, and Tennessee are notifying investors entitled to reimbursement from the recent Morgan Keegan settlement that their States' Fund distribution checks will be mailed November 5, 2012. A.B. Data Ltd., as the Fund Administrator, will be mailing checks to all investors who filed an approved eligible claim within the claim filing period.

The settlement was a direct result of intensive multi-state, federal, and self-regulatory organization investigations conducted against Morgan Keegan & Company (MKC) and Morgan Asset Management (MAM). The States' task force was led by South Carolina, Alabama, Kentucky, Mississippi and Tennessee, with cooperation from state securities regulators in Arkansas, Florida, Georgia, Illinois, Louisiana, Missouri, North Carolina, and Texas.

The investigation involved seven proprietary mutual bond funds created by MKC and sold by MKC broker-dealer agents to more than 34,000 account holders, both in the United States and across the globe. The seven funds lost approximately \$1.5 billion dollars from January 1, 2007 to March 31, 2008. The states' Consent Orders against Morgan Keegan, Morgan Asset Management and James Kelsoe found the following violations:

- Failure to supervise agents;
- Failure to disclose risks of the funds in regulatory filings and in retail advertising material;
- Misclassification of fund holdings in regulatory disclosure filings;
- Dishonest and unethical practices in the securities business: Prohibited business practices - violating state, federal and SRO rules and suitability requirements;
- Violation of Broker-Dealer rules of conduct; and
- Failure to maintain required books/records (specifically advertising materials)

"I am always pleased when South Carolinians can recoup a portion of their losses when securities violations have occurred," said South Carolina Attorney General and Securities Commissioner Alan Wilson. "This distribution is possible due to the strong degree of cooperation and effort put in by the South Carolina Securities Division and

other securities agencies across the country. This case is a prime example of how securities enforcement should be conducted.”

As a result of the settlement, among other sanctions, MKC and MAM agreed to:

- Pay restitution to investors in the amount of \$200 million (\$100 million of which will be distributed by the states on November 5, 2012, and \$100 million which will be distributed by the Securities and Exchange Commission (SEC) on a yet-to-be-determined date);
- Direct payment by MKC and MAM of the administrative expenses of both distribution funds so the entire \$200 million in restitution will be distributed to investors;
- Cease & Desist from violating the various states’ securities Acts;
- Comply with the various states’ securities Acts;
- Pay \$10 million in civil penalties; and
- Reimburse the North American Securities Administrators Association (NASAA) for task force expenses fronted by the association.

James Kelsoe, the Manager of the Funds and person responsible for selecting and purchasing the holdings also received a permanent bar from engaging in securities business in the future and a \$500,000 civil penalty in connection with the collapse.

Investors with questions about the States’ Fund Distribution should contact A.B. Data Ltd. at 1-888-208-9083.

Investors with questions about the SEC’s Fair Fund Distribution should also contact A.B. Data Ltd. at 1-888-208-9083.