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FOR IMMEDIATE RELEASE

## **Securities Commission Reaches Agreement with Morgan Stanley to Compensate Birmingham Investors**

MONTGOMERY, ALABAMA (November 18, 2005) The Alabama Securities Commission raised concerns earlier this year with Morgan Stanley DW concerning certain mutual fund B share<sup>1</sup> sales to a number of clients in Morgan Stanley's Birmingham, Alabama branch office. Upon notification of the Securities Commission's concerns, Morgan Stanley, in conjunction with Commission personnel, analyzed the accounts to determine if certain clients in Morgan Stanley's Birmingham office would benefit from a conversion of mutual fund B shares to A shares. Based on the results of the analysis, Morgan Stanley has agreed to offer some clients a conversion from higher cost B shares to lower cost A shares and compensate said clients for the difference between the value of the B and A shares at the time of redemption and/or refunds.

Under the agreement between the Securities Commission and Morgan Stanley, Morgan Stanley will begin advising affected clients of their compensation within the next five (5) days. Each investor will receive detailed information on the benefit they are receiving, the type of compensation and the method by which the client will receive it.

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### <sup>1</sup> **MUTUAL FUND SHARE CLASSES**

Why do mutual funds offer different classes of shares in the same fund? Many mutual funds offer different classes of shares in a single fund as a way of offering investors a choice in how to pay for the fund. Although share class names may vary from fund to fund, most funds typically offer Class A, Class B and Class C shares.

What's the difference between share classes? Each share class carries a different method of collecting sales charges from investors. For example, purchasers of Class A fund shares pay a "front-end" sales charge, or "load," at the time of purchase. These shares can be offered at a discount for qualifying purchases and generally carry no or lower 12b-1 fees - fees paid by a mutual fund for distribution costs, including payments to broker-dealers and their registered representatives for selling fund shares. Class B shares, by contrast, do not impose up-front sales charges but they impose "back-end" commissions or redemption fees if the shares are sold before a specified period of time. These shares, which may convert to A shares after a period of time, typically impose higher expenses that are assessed to investors over the life of their investment.

What's the problem? Financial professionals are responsible for recommending the share class most suitable for investors. Some brokers, however, unscrupulously recommend Class B shares in such large amounts that a customer would have qualified for breakpoint discounts had the broker recommended Class A shares instead. Some brokers also have recommended transactions in Class B shares that are so frequent as to cause customers to incur redemption fees upon the sale of the shares. In both cases, the broker may receive higher compensation for the Class B recommendations.

(Courtesy of the North American Administrators Association)

Securities Commission Director, Joseph Borg stated: “We are extremely pleased with Morgan Stanley’s cooperative efforts in this area. The firm, upon being approached by the Commission of its concerns, immediately addressed the issue and worked with us in resolving all outstanding matters to the benefit of its clients and Alabama’s investor citizens.”

The Director of the Alabama Securities Commission (ASC) cautions potential investors to thoroughly check out any investment opportunity. Contact ASC for inquiries regarding securities broker-dealers, agents, investment advisors, investment advisor representatives, financial planners, the registration status of securities, to report suspected fraud, or obtain consumer information:

For more information contact:

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If you have questions or require more information call Dan Lord, Education and Public Affairs.