

ALABAMA SECURITIES COMMISSION
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Alabamians begin receiving 5,837 checks totaling over \$14,200,000.00 from Morgan Keegan States' Fund settlement
Alabama Securities Commission Director, Joseph Borg stated that "Claimants should look for mailings from A.B. Data Ltd. re: MorganKeeganSettlement"

MONTGOMERY, ALABAMA (November 6, 2012) – The state securities regulators from Alabama, Kentucky, Mississippi, South Carolina and Tennessee are notifying investors entitled to reimbursement from the recent Morgan Keegan settlement that their States' Fund distribution checks have begun being mailed as of November 5, 2012. A.B. Data Ltd., as the Fund Administrator, began 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 Alabama, Kentucky, Mississippi, South Carolina and Tennessee in cooperation with state securities regulators from 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 agent to more than 34,000 account holders and others. The seven funds lost approximately \$1.5 billion 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;
- 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)

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 to be distributed by the states on November 5, 2012 and \$100 million to be distributed by the SEC [Securities and Exchange Commission] on a yet-to-be-determined date);
- Direct payment by MKC and MAM of the administrative expenses of both distribution funds so that all \$200 million in restitution will be distributed to investors;
- Cease & Desist from violating the various state securities Acts;
- Comply with the various state securities Acts;
- A permanent bar of Mr. Kelsoe from the securities industry and a \$500,000 civil penalty; and
- Payment of \$10 million in civil penalties to be split among the states in which MKC/MAM operated.

Joseph Borg, Director of the Alabama Securities Commission said, "On November 5, the fund administrator began issuing 5,837 checks to Alabamians totaling over \$14,200,000.00 as a result of the collaborative efforts of State Securities Regulators. The cooperation, dedication and perseverance of the leaders and staff of the securities agencies of Alabama, Kentucky, Mississippi, Tennessee and South Carolina are to be commended for their unwavering efforts to achieve results for the benefit of all our citizens."

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.

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For further information contact Dan Lord, Education and Public Affairs Manager, 334-353-4858.

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