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FOR IMMEDIATE RELEASE

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NH SECURITIES BUREAU TAKES ACTION AGAINST AMERICAN EXPRESS FINANCIAL ADVISORS

Concord, N.H. (February 18, 2005) The New Hampshire Bureau of Securities Regulation filed a petition for relief yesterday against American Express Financial Advisors Inc. American Express Financial Advisors (AEFA) is a broker-dealer and investment advisor firm engaged in the business of buying and selling securities and rendering investment advice to clients for compensation. AEFA maintains approximately 30 branch offices in New Hampshire and is a subsidiary of American Express Corporation.

Deputy Director Jeffrey Spill said that much of the Bureau's petition revolves around AEFA's financial plans. The AEFA advisors, for a fee, held themselves out as investment advisors, but often times did not act in the best interest of their New Hampshire clients. In many cases clients were sold financial plans that were heavily weighted with American Express mutual funds. "A financial planner or investment advisor has a fiduciary duty to act primarily for the benefit of the client," said Spill. "In this case, AEFA financial advisory plans were often merely a vehicle to promote and sell lackluster American Express mutual funds, when in fact AEFA had a duty and responsibility to promote a wide variety of products available in the industry," Spill added.

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AEFA financial advisors also sold other specially selected funds which had a special financial revenue sharing relationship with AEFA and engaged in directed brokerage arrangements with several mutual fund companies. Mutual fund companies whose shares were sold by AEFA would direct extra brokerage commissions to AEFA's broker-dealer in exchange for "shelf-space" for the mutual fund "Although AEFA made some disclosures to its customers regarding AEFA's conflicts of interest, the disclosures were inadequate and failed to reveal the extensive nature of the conflicts of interest driving the sale of American Express mutual funds and other proprietary products," said Spill. AEFA also failed to disclose to investors the consistently mediocre performance of American Express funds as compared to other fund products available through AEFA.

Spill said the Bureau became aware of AEFA practices through an audit initiated last year. Bureau staff found that many New Hampshire clients' financial plans were populated with a high number of American Express mutual funds, even though historically those funds have shown mediocre performance. In addition, numerous e-mails were uncovered indicating an aggressive effort by AEFA management to pressure their financial advisors to sell American Express mutual funds, while other employees were questioned for not doing so. AEFA also failed to disclose its financial advisors were trained only to recommend American Express products, and they were operating in a sales culture which measured their performance based on the sale of proprietary products.

The Petition orders AEFA to pay an administrative fine and restitution of financial planning fees in the amount up to \$17.5 million dollars. AEFA must pay disgorgement of all fees paid to them during the relevant time period related to revenue sharing and directed brokerage agreements. AEFA must also retain an independent consultant who shall determine the amount of restitution to be paid by AEFA for the investment plan fees paid by New Hampshire clients during the relevant time period. AEFA must also pay the cost of the investigation in the amount of \$200,000.

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