

**ALABAMA SECURITIES COMMISSION**

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**State Securities Regulators File Action Against Morgan Keegan**

MONTGOMERY, ALABAMA (April 7, 2010) Joseph P. Borg, Director of the Alabama Securities Commission (ASC); Delbert Hosemann, Secretary of State, Mississippi; Henry McMaster, Attorney General, South Carolina; and Charles A. Vice, Commissioner of Kentucky Department of Financial Institutions; along with William P. Hicks, Associate Regional Director, Securities Exchange Commission (SEC), Atlanta regional office; and Financial Industry Regulatory Authority (FINRA), James S. Shorris, Executive Vice President and Head of Enforcement announced this morning that administrative actions have been filed against Morgan Keegan & Company and Morgan Asset Management and their employees James C. Kelsoe, Brian B. Sullivan, Gary Stringer, and Michele Wood. This action is a direct result of an intensive multi-state investigation, led by the Securities and Charities Division of the Mississippi Secretary of State's office and the Alabama Securities Commission, and the states of South Carolina and Kentucky in cooperation with the States Securities Regulators from Arkansas, Florida, Georgia, Illinois, Louisiana, Missouri, North Carolina, Tennessee and Texas.

Borg said, "We want to thank State Securities officials from Mississippi, South Carolina, Kentucky, Arkansas, Florida, Georgia, Illinois, Louisiana, Missouri, North Carolina, Tennessee and Texas for combining resources to work with the Alabama Securities Commission in this complex investigation. Our intent in this matter is to protect investors and ensure a fair market climate."

The detailed order and exhibits will be posted at the Alabama Securities Commission's website today, [www.asc.alabama.gov](http://www.asc.alabama.gov), in the "Administrative Actions" section.

A copy of the release from the joint press conference at the Secretary of State's office in Mississippi is shown below.

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

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# Delbert Hosemann, Secretary of State

For Immediate Release: Wednesday, April 7, 2010

Contact: Pamela Weaver, Director of Communications

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## Mississippi files action against Morgan Keegan after \$2-Billion in losses

*Jackson*--Secretary of State Delbert Hosemann, along with representatives from the Securities Exchange Commission (SEC), and Joseph Borg, Director of the Alabama Securities Commission, announced this morning an administrative action has been filed against **Morgan Keegan & Company and Morgan Asset Management and their employees James C. Kelsoe, Brian B. Sullivan, Gary Stringer, and Michele Wood**. This action is a direct result of an intensive multi-state investigation, led by the Securities and Charities Division of the Mississippi Secretary of State's office and the Alabama Securities Commission, and includes the states of South Carolina and Kentucky.

"If the allegations in the Joint Notice are found to be accurate by the hearing officers, we and other states involved in the investigation intends to hold these companies and individuals responsible," says Secretary Hosemann.

At the center of the investigation were six mutual funds sold by Morgan Keegan broker dealers to approximately 13,000 customers. Those six mutual funds lost approximately \$2 billion dollars from March 31, 2007 to March 31, 2008. This includes approximately \$30,000,000 invested by Mississippians.

The administrative action alleges Morgan Keegan and Morgan Asset Management:

- Made material omissions and misrepresentations in marketing materials,
- Made material omissions and misrepresentations in regulatory filings,
- Withheld information from and misrepresented information concerning the funds to the Morgan Keegan Sales force,
- Provided preferential treatment to certain customers,
- Failed to make suitable recommendations concerning purchase and concentration of the funds in customer accounts,
- Failed to adequately supervise their employees, and
- Obstructed the due diligence process.

The administrative action also requests the Respondents show cause why their registration should not be revoked. Furthermore, the States intend to seek administrative penalties and restitution for investors. These companies and individuals have a right to request an administrative hearing.