

STATE OF ALABAMA  
ALABAMA SECURITIES COMMISSION

IN THE MATTER OF: )  
MORGAN KEEGAN & COMPANY )  
JAMES T. RITT )  
\_\_\_\_\_  
RESPONDENTS )

ADMINISTRATIVE ORDER  
NO. SC-2009-0019

SHOW CAUSE ORDER

The Alabama Securities Commission ("Commission"), having the power to administer and provide for the enforcement of all provisions of Title 8, Chapter 6, Code of Alabama 1975, the Alabama Securities Act, upon due consideration of the subject matter hereof, has determined as follows:

RESPONDENTS

1. MORGAN KEEGAN AND COMPANY ("MORGAN KEEGAN"), CRD # 4161, has been registered as a Dealer in the state of Alabama since August 18, 1982, with a business address of Fifty Front Street, Morgan Keegan Tower, Memphis, TN 38103-9980.

2. JAMES T. RITT ("RITT"), CRD # 1836011, was an Alabama registered agent/investment advisor with J. C. Bradford for May 1, 1985 to September 25, 1991 and Rauscher Pierce Refsnes, Inc. from October 1, 1991 to October 31, 1997. He has been employed with MORGAN KEEGAN since August 18, 1998 but has not been registered with the state of Alabama during his employment with MORGAN KEEGAN. He has served as MORGAN KEEGAN's General Counsel, Director of Compliance and Chief Legal Officer. At the relevant time, RITT was serving as the General Counsel and/or Director of Compliance.

## STATEMENT OF FACTS

3. On November 8, 2005, the Commission and MORGAN KEEGAN entered into a Consent Order (CO-2005-0032) which resolved issues cited in a Show Cause Order (SC-2005-0032) which was issued September 26, 2005.

4. The orders alleged that three MORGAN KEEGAN Montgomery branch office agents engaged in a course of business, in connection with the sale of securities, which operated as a deceit upon their clients by churning a number of clients' accounts. Furthermore, it was alleged that two of the Montgomery branch supervisors as well as MORGAN KEEGAN, failed to adequately supervise those agents.

5. As part of the Consent Order, MORGAN KEEGAN was ordered to pay an administrative assessment and partial reimbursement of the Commission's investigative cost.

6. The consent order also ordered MORGAN KEEGAN to:

*"As part of its responsibility to provide such supervision Morgan Keegan shall:*

- A. *Ensure that all complaints concerning trading activities, whether written or verbal, are logged and recorded for in a complaint book for supervisory reference. Copies of all written complaints, along with all memoranda and/or correspondence generated as a result of any complaint, shall be maintained in the appropriate complaint file located at the respective branch, as well as the Office of Supervisory Jurisdiction, regardless of the status of the complaint.*
- B. *In addition to all necessary and required training under the rules of the NASD and the State of Alabama, MORGAN KEEGAN is required and shall provide evidence of the thorough training of all office staff including ethics training. A log of all such training shall be maintained, including, but not limited to, subject matter outlining handouts, syllabi, and a list of attendees and speakers. A supervisory representative from the MORGAN KEEGAN*

*Compliance Department must be present for these training events or verify their occurrence. A copy of said training is to be sent to the Alabama Securities Commission annually for the next two years.*

**C. Formalize procedures to monitor client accounts by instituting a verification procedure that will document accurate and current account information including the confirmation of sales. A annual report of these procedures shall be generated and provided to the Commission for a period of three years subsequent to the entry of this Consent Order."**

7. MORGAN KEEGAN and RITT agreed with the order and RITT, on behalf of MORGAN KEEGAN, signed the order.

8. MORGAN KEEGAN AND RITT have failed to make the required filings as set forth in the Consent Order CO-2005-0032.

9. On June 29, 2009, the Commission contacted RITT to determine the status of the required filings cited in B and C in paragraph 6 of this order. RITT admitted that he was responsible for making those filings and that he "dropped the ball."

#### CONCLUSIONS OF LAW

10. RESPONDENTS MORGAN KEEGAN and RITT have violated the provisions of Section 8-6-3(j)10), Code of Alabama 1975 by failing to adequately supervise its agents by formalizing procedures to monitor client accounts and providing training as required in CO-2005-0032.

11. Pursuant to the provisions of Section 8-6-3(j)(2), Code of Alabama 1975, the Commission may suspend, revoke, censor or bar any registrant from employment with a securities dealer if the Commission finds that the Order is in the public interest, and that the registrant has violated or failed to comply with any provision of the Alabama Securities Act, or any rule or order issued by the Commission, or has failed to reasonably supervise registrants. By failing to make the ordered filings cited in CO-2005-0032, MORGAN KEEGAN and RITT have violated this provision and are subject

to suspension, revocation, censor or bar.

This Order is appropriate in the public interest for the protection of investors and consistent with the purposes of the Alabama Securities Act.

This Order does not prevent the Commission from seeking such other civil or criminal remedies that may be available to it under the Alabama Securities Act.

**ACCORDINGLY, IT IS HEREBY ORDERED** that RESPONDENT MORGAN KEEGAN and JAMES T. RITT **SHOW CAUSE** to the Commission, within 28 days of the date of this Order, why fines and/or penalties should not be ordered and/or why its registration as a broker should not be suspended or revoked in the state of Alabama.

Entered at Montgomery, AL, this 17<sup>th</sup> day of July, 2009.

ALABAMA SECURITIES COMMISSION  
770 Washington Avenue, Suite 570  
Montgomery, AL 36130-4700  
(334) 242-2984

BY:

JOSEPH P. BORG  
Director

