

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE|  
BUSINESS REGULATION AND ENFORCEMENT DIVISION**

**IN THE MATTER OF:** )  
 ) **Administrative Proceeding**  
 ) **Number: S-07-0713**  
**MORGAN KEEGAN & COMPANY, INC.** )  
**CARL RUSSELL DYKES, and JOHN** )  
**HARRELL KNIGHT** )  
 )  
**Respondents**

**CONSENT AGREEMENT**

WHEREAS, MORGAN KEEGAN & COMPANY, INC. (hereinafter "MK"), CRD No. 4161, is a broker-dealer and investment adviser registered in the State of Mississippi; and

WHEREAS, CARL RUSSELL DYKES (hereinafter "Dykes"), CRD No. 4139589, formerly was employed by MK in the position of investment adviser representative and broker-dealer agent in the Hattiesburg, Mississippi Branch Office; and

WHEREAS, JOHN HARRELL KNIGHT (hereinafter "Knight"), CRD No. 2709218, is employed by MK in the position of investment adviser representative and broker-dealer agent in the Hattiesburg, Mississippi Branch office; and

WHEREAS, the Division of Business Regulation and Enforcement of the Mississippi Secretary of State ("Division") conducted an examination of Dykes and the Hattiesburg, Mississippi Branch Office on June 20 and 21, 2006, November 14 and 15, 2006; and

WHEREAS, as part of the examination of the Hattiesburg, Mississippi Branch Office, the Division contacted and interviewed personnel at the Jackson, Mississippi Office with supervisory jurisdiction over Dykes; and

WHEREAS, the Division conducted an examination of Knight at the Hattiesburg, Mississippi Branch Office on August 18, 2007; and

WHEREAS, MK, Dykes, and Knight elect to permanently to waive any rights to a hearing and appeal under Miss. Code Ann. §75-71-331 (2000) and Miss. Code Ann. §75-71-601 (2000) with respect to this Consent Order (the "Order");

NOW, THEREFORE, the Secretary of State of the State of Mississippi, as Administrator of the Mississippi Securities Act (hereinafter "Act"), hereby enters this Order.

## I.

### JURISDICTION AND CONSENT

MK, Dykes, and Knight admit the jurisdiction of the Secretary of State of the State of Mississippi; they neither admit nor deny the findings of fact and conclusions of law contained in this Order; and they consent and agree to the entry of this Order by the Secretary of State of the State of Mississippi.

## II. FINDINGS OF FACT

### A. REGISTERED INDIVIDUALS AND ENTITIES

1. MK has its principal place of business in Memphis, Tennessee. MK is currently registered with the Secretary of State as a broker-dealer and has notice filed as an investment adviser firm.
2. Dykes was formerly registered with the Division as an investment adviser representative and broker dealer agent of MK in the Hattiesburg, Mississippi Branch Office.
3. Knight is currently registered with the Division as an investment adviser representative and broker dealer agent of MK in the Hattiesburg, Mississippi Branch Office.
4. On June 20-21, 2006, and November 14 and 15, 2006, an examiner from the Division conducted an on-site examination of the MK/Dykes office.
5. On August 18, 2007, an examiner from the Division conducted an on-site examination of the MK/Knight office.

## **B. EXAMINATION HISTORY AND FINDINGS**

As a result of the Division's examination of MK, Dykes, and Knight, the Division alleges the following violations of the Mississippi Securities Act (hereinafter "Act") and the Rules promulgated thereunder (hereinafter "Rules").

### **1. DYKES**

Dykes had a blank Morgan Keegan Account Transfer Form signed by a customer in the customer's file.

### **2. KNIGHT**

An AmSouth Bank customer was contacted by a bank employee regarding her maturing certificate of deposit she had purchased from AmSouth. The customer/complainant states that she was told she needed to come in to "upgrade" her certificate of deposit. When she came in she was directed to Knight. Knight sold her a fixed annuity contract.

Based on a customer complaint, the Division examined certain transactions by Knight in the Laurel and Hattiesburg, Mississippi Branch Offices. Upon reviewing the supporting documentation for the transaction which was the basis for the complaint, the Division determined the following:

- a. The customer thought she was "upgrading" her certificate of deposit, not purchasing a fixed annuity contract.
- b. The customer's income as disclosed on the annuity application form was in excess of previously obtained estimates. While Knight could not explain the inaccuracy, he also did not complete any of the previous documents associated with the customer's prior transactions.

3. MORGAN KEEGAN & COMPANY, INC.

MK has not supervised AmSouth Bank employees referring business to MK. AmSouth Bank employees call bank customers with maturing certificates of deposit and make investment referrals. Representatives of MK are not present to supervise the callers and MK does not provide the callers with a script.

### III. STIPULATIONS

Respondents, under the terms of this Consent Order and solely for the purpose of resolving the foregoing allegations, stipulate without a hearing to the matters set forth above in Paragraph II and hereby consent to the issuance of this Consent Order and further consent to and agree to the undertakings contained herein, with no formal administrative hearing and determination of wrongdoing.

Respondents stipulate to the jurisdiction of the Division as to all matters contained herein under the authority of the Act and acknowledge that the issuance of this Consent Order is solely for the purpose of resolving the matters set forth herein.

### IV. ORDER

#### IT IS HEREBY ORDERED:

A. This Order concludes the examination/investigation by the Secretary of State of the State of Mississippi and any other action that the Secretary of State of the State of Mississippi could commence under the Mississippi Securities Act on behalf of the State of Mississippi as it relates to the examination history set out in this Order and the violations alleged as a result of these examinations.

B. Dykes and Knight will agree to abide by the provisions of the Mississippi Securities Act and Rules as currently in effect and as may be subsequently amended.

C. MK will provide additional training to its agents/representatives regarding point of sales presentations and suitability in the sale of annuity products.

D. MK shall not accept systematic referrals from AmSouth/Regions employees in Mississippi unless it provides training for these employees and provides a script to be used when contacting bank customers. MK agrees to make an MK employee with supervisory responsibility available to provide oversight to bank employees referring bank customers to MK.

E. If MK, Dykes, or Knight defaults in any of its/their obligations set forth in this Order, the Secretary of State of the State of Mississippi may vacate this Order as to any defaulting Respondent, at its sole discretion, upon ten (10) days notice to the Respondent in question and without opportunity for administrative hearing. It may also institute any legal or administrative proceedings it deems appropriate including, but not limited to, proceedings to address the matters set forth herein.

#### **V. MONETARY PAYMENTS**

**IT IS FURTHER ORDERED**, that Dykes shall contribute One Thousand Dollars (\$1,000) for investor education programs in the State of Mississippi.

**IT IS FURTHER ORDERED**, that Knight shall contribute One Thousand Dollars (\$1,000) for investor education programs in the State of Mississippi.

**IT IS FURTHER ORDERED**, that MK shall reimburse the Division for costs incurred in the investigation of this matter in the amount of Twelve Thousand Five Hundred Dollars (\$12,500).

#### **VI. GENERAL PROVISIONS**

This Order and any dispute related thereto shall be construed and enforced in accordance, and governed by, the laws of the State of Mississippi.

VII. ACKNOWLEDGEMENT

Respondents hereby acknowledge that they have read this Order in its entirety and fully understand the terms, and its rights and obligations contained herein.

ISSUED, this, the 13<sup>th</sup> day of November, 2007.

ERIC CLARK  
Secretary of State

BY: Patricia Melvin  
PATRICIA MELVIN  
Senior Attorney  
Business Regulation and Enforcement

CARL RUSSELL DYKES

[Signature]  
Date: 12/17/07

JOHN HARRELL KNIGHT

\_\_\_\_\_  
Date: \_\_\_\_\_

MORGAN KEEGAN & COMPANY, INC.

By: James T. Witt  
Title: General Counsel  
Date: 11-29-07

11/29/07

**VII. ACKNOWLEDGEMENT**

Respondents hereby acknowledge that they have read this Order in its entirety and fully understand the terms, and its rights and obligations contained herein.

ISSUED, this, the 13<sup>th</sup> day of November, 2007.

ERIC CLARK  
Secretary of State

BY: Patricia Melvin  
PATRICIA MELVIN  
Senior Attorney  
Business Regulation and Enforcement

CARL RUSSELL DYKES

\_\_\_\_\_

Date: \_\_\_\_\_

JOHN HARRELL KNIGHT

John Harrell Knight  
Date: 12/13/07

MORGAN KEEGAN & COMPANY, INC.

By: James T. Witt  
Title: General Counsel  
Date: 11-29-07

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