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BEFORE THE
ALABAMA SECURITIES COMMISSION

IN RE: MORGAN KEEGAN

CIVIL ACTION NO.
S08-0056

* * * * *

SWORN STATEMENT OF COURTLAND WILLIAMS,

reported by Lyn D. Vickers, ACCR #66, Certified
Court Reporter and Commissioner for the State of
Alabama at Large, in the Offices of the Alabama
Securities Commission, 401 Adams Avenue,
Montgomery, Alabama, on Tuesday, December 22nd,
2009, commencing at approximately 9:35 a.m.

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APPEARANCES

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ON BEHALF OF THE SECURITIES COMMISSION:

Mr. J. Randall McNeill
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ALABAMA SECURITIES COMMISSION
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Memphis, Tennessee, 38103

* * * * *

1 MR. GANTT: This will be in
2 reference to Case Number
3 S08-0056. This will be the
4 interview of -- is it Roger?

5 THE WITNESS: Roger is my first
6 name. I go by Courtland.
7 That's my middle name.

8 MR. GANTT: Roger Courtland
9 Williams. I would like to
10 take a moment and let
11 everybody in the room identify
12 themselves for the
13 stenographer so she knows who
14 we're dealing with.

15 MR. ANDERSON: Good morning. I'm
16 Peter Anderson with the
17 Sutherland Firm. And with me
18 is Yvonne Williams, who is
19 also with the Sutherland Firm,
20 and John Starnes with the
21 legal department of Morgan
22 Keegan.

23 MR. MCNEILL: Over here in the

1 corner is Randy McNeill,
2 M-C-N-E-I-L-L, deputy director
3 of the Alabama Securities
4 Commission.

5 MR. LOCKLAR: And I'm Ricky
6 Locklar, senior special agent
7 of the Alabama Securities
8 Commission. Spelling is
9 L-O-C-K-L-A-R.

10 MR. GANTT: And you have my card.
11 Mike Gantt.

12 * * * * *

13 **ROGER COURTLAND WILLIAMS**

14 The witness, after having first been duly sworn
15 to speak the truth, the whole truth and nothing but
16 the truth testified as follows:

17 EXAMINATION

18 BY MR. GANTT:

19 Q. Mr. Williams, we spoke before, correct,
20 during the audit in May, I believe it was,
21 about the Morgan Keegan subprime?

22 A. Correct.

23 Q. So you have a basic knowledge as to what

1 this interview will be about; is that
2 correct?

3 A. Correct.

4 Q. This is also in reference to a complaint
5 filed by [REDACTED]. He's still a
6 customer of yours?

7 A. He is a customer of Morgan Keegan. We
8 moved him out of my rep number.

9 Q. Can you explain your knowledge of his
10 complaint?

11 A. Yes. [REDACTED] and I sat down back in 2005 two
12 times and we invested his money in
13 intermediate bond fund and a high yield
14 closed-end fund in September 12th of '05.
15 And he stayed invested and he filed an
16 arbitration this summer.

17 Q. Okay. The funds that he used for that
18 particular investment, do you remember what
19 those were from?

20 A. Yes.

21 MR. ANDERSON: Source of funds for
22 the investment?

23 MR. GANTT: Yes.

1 A. Yes. The day the account was opened he
2 made a \$10,000 deposit. A few days later
3 he got some life insurance payments that he
4 deposited into the account and then a few
5 days after that he made another deposit of
6 about \$24,000.

7 Q. Do you recall his expertise in the
8 financial field, his sophistication in
9 investing?

10 A. I don't remember.

11 Q. Was he also a prior client of Morgan Keegan
12 or of Regions Bank?

13 A. He was a client of Regions Bank.

14 Q. Is that how you came to know him?

15 A. Yes.

16 Q. Explain that situation for me.

17 A. I was out at the Cahaba Heights bank
18 branch, and I cannot remember the person
19 who introduced him to me, but it was
20 somebody who worked at the bank. And he or
21 she introduced [REDACTED] to me and then Phil and
22 I had initial conversation and then we met
23 a second time in my office.

1 Q. You began Morgan Keegan in '03; is that
2 correct?

3 A. That's correct.

4 Q. Were you at a firm prior to that?

5 A. No.

6 Q. If you would, starting with your education,
7 discuss your background with me real
8 quick.

9 A. Okay. Grew up in Tuscaloosa, Alabama.
10 Went to Tuscaloosa Academy. Graduated in
11 1998 from high school. Attended Auburn
12 University. I graduated Auburn University
13 December of 2002. Started with Morgan
14 Keegan January of 2003.

15 Q. And so by the time you had met Mr. Hamrick
16 you had already had basically a year and a
17 half, two years with Morgan Keegan?

18 A. Yes. I met Phil September of '05, so yes.

19 Q. What's your current designation with Morgan
20 Keegan? Is it broker or investment
21 adviser?

22 A. Financial adviser.

23 MR. LOCKLAR: What's your degree

1 in from Auburn?

2 A. Marketing.

3 MR. MCNEILL: Any postgraduate
4 work?

5 A. No.

6 MR. LOCKLAR: And you're both IA
7 registered and broker dealer
8 representative registered?

9 A. I don't --

10 MR. LOCKLAR: Are you both --

11 MR. ANDERSON: Do you have an
12 investment adviser? Do you
13 have the investment adviser
14 registration or just the
15 financial adviser?

16 A. Financial adviser.

17 MR. ANDERSON: What licenses do
18 you hold?

19 A. I hold Series 7, Series 66, Series 9,
20 Series 10.

21 (Exhibit 1 was marked for
22 identification.)

23 Q. I'm going to introduce to you real quick

1 Exhibit 1. Do you recognize that?

2 A. I do.

3 Q. Can you identify it?

4 A. I don't understand what you're asking.

5 MR. ANDERSON: Do you recognize
6 it?

7 A. Yes.

8 MR. ANDERSON: Did you create this
9 document?

10 A. Yes.

11 MR. ANDERSON: Tell him the
12 circumstances under which you
13 created it.

14 Q. How did you create that document?

15 A. I created this because prospects that were
16 introduced to me through a Regions referral
17 who did not want CDs and wanted to talk to
18 me about investments would often ask me is
19 there something better that has a better
20 rate. And oftentimes they would ask me how
21 this had done versus CDs. So I created a
22 numerical comparison of the rates.

23 Q. Was this particular document approved?

1 A. No.

2 Q. And so but you provided to [REDACTED]
3 without approval?

4 A. Yes.

5 Q. Why did you do that?

6 A. I don't remember. I don't remember why I
7 handed it to him.

8 Q. Did you hand it to any other clients?

9 A. I don't remember handing it to anybody
10 else.

11 MR. MCNEILL: I said I was going
12 to be quiet, but, of course, I
13 can't. But I am still going
14 to stay in the corner. The
15 information that is there on
16 that chart, how did you --
17 where did you gain that
18 information? Where did you
19 get it from?

20 A. I created it four and a half years ago, so
21 I've been trying to remember where I got it
22 from. I can't remember exactly where I got
23 it from.

1 MR. MCNEILL: Well, were you
2 supplied materials from Morgan
3 Keegan regarding the funds?

4 A. Yes.

5 MR. MCNEILL: And were you
6 supplied materials from Morgan
7 Keegan regarding how well the
8 funds and the performance of
9 the funds?

10 A. Yes.

11 MR. MCNEILL: Did you study those
12 materials from Morgan Keegan?

13 A. Yes.

14 MR. MCNEILL: And was it in your
15 regular course of duties to be
16 able to do so that you would
17 study the funds so that you
18 would know how the funds would
19 operate?

20 A. Yes.

21 MR. MCNEILL: And you needed this
22 obviously so that you could
23 make a recommendation to a

1 client?

2 A. Yes.

3 MR. MCNEILL: Now, I'm just
4 looking from over here and
5 I've seen this chart a while
6 back. Obviously it appears to
7 be -- Obviously it's a
8 comparison there between how
9 CDs work and everything else
10 in regard to these funds; is
11 that correct?

12 A. It's a comparison of the rate.

13 MR. MCNEILL: The rate of what?

14 A. Return of what the intermediate fund did
15 versus CDs.

16 MR. MCNEILL: Okay. Were you
17 getting questions from
18 prospective clients regarding
19 CDs and how they would relate
20 to other products that could
21 be offered by Regions or
22 offered by Morgan Keegan?

23 A. The common question that I got from

1 prospects were people who did not want
2 CDs. And the reason they did not want the
3 CD was because they didn't want the rate
4 and they wanted something that had a proven
5 track record that had done better. So that
6 was a question that I got fairly often. So
7 instead of on a scratch pad writing down
8 the numbers, I created the numerical
9 comparison of the rate to answer the
10 question that I kept getting.

11 MR. MCNEILL: So I guess, then,
12 going back to Mr. Gantt's
13 question is you said you don't
14 remember, but you obviously
15 prepared -- this is going to
16 be a series of questions to
17 get to this one. You
18 obviously prepared Exhibit 1
19 in connection with your
20 duties; right?

21 A. (Witness nods head).

22 MR. MCNEILL: And if you had other
23 people to -- and want to know

1 about the fund, you would have
2 shown it to some other
3 prospective clients that
4 wanted to do something better
5 than a CD rate, wouldn't you have?

6 A. I don't remember handing it to anybody
7 else.

8 MR. MCNEILL: Do you have a
9 specific memory of handing it
10 to the complainant,
11 [REDACTED], in this case?

12 A. No.

13 MR. MCNEILL: But you don't argue
14 that -- obviously that you
15 must have?

16 A. Right. Correct.

17 MR. MCNEILL: I'm sorry, Mike. Go
18 ahead.

19 MR. LOCKLAR: Can I ask a
20 question?

21 MR. GANTT: Sure.

22 MR. LOCKLAR: What software did
23 you use to prepare this

1 document?

2 A. The -- Two answers. A Power Point slide,
3 and I wasn't computer savvy, so the chart
4 came from Excel.

5 MR. LOCKLAR: Explain the process
6 you did to create this.

7 A. Made a Power Point slide and then made a
8 chart in Excel and then copied them
9 together.

10 MR. LOCKLAR: You went to a copy
11 machine and copied it?

12 A. Yeah.

13 MR. LOCKLAR: How many of these
14 did you make?

15 A. I don't remember.

16 MR. LOCKLAR: More than this one?

17 A. I don't remember.

18 MR. MCNEILL: Did you maintain it
19 on your hard drive?

20 A. Yes.

21 MR. MCNEILL: So you always had
22 access to it and you'd just
23 hit print at any time;

1 correct?

2 A. The Power Point slide is on the hard
3 drive. But the Power Point slide does not
4 have the chart.

5 MR. ANDERSON: And just so the
6 record is clear, the chart is
7 the bar graph section? Is
8 that what you're referring to?

9 A. Yes.

10 MR. ANDERSON: So everything else
11 is maintained in the hard
12 drive except that chart, which
13 you had to create in Excel?

14 A. Yes.

15 MR. MCNEILL: And you maintained
16 that on your hard drive,
17 though, as well, the Excel
18 spreadsheet? My computer
19 does. That's why I'm asking
20 the question.

21 A. I don't know if it's on there or not. I
22 know the Power Point is.

23 MR. LOCKLAR: And these are

1 accurate numbers?

2 A. I assume so.

3 MR. LOCKLAR: You assume so?

4 A. (Witness nods head).

5 MR. LOCKLAR: How did you present
6 it to your client? Did you
7 present it to your client as
8 accurate numbers?

9 A. Yes.

10 MR. LOCKLAR: So this isn't a
11 hypothetical. This is what
12 you presented to him as true
13 and accurate numbers. And who
14 supplied those numbers to you?

15 A. I don't remember where I got the numbers.
16 I may have gotten them from the
17 prospectus. I may have gotten them from
18 some other approved material. I can't
19 remember what document I went to to get the
20 numbers.

21 Q. (Continuing by Mr. Gantt) When was this
22 that you created this?

23 A. I created it on May 19th, 2005.

1 MR. LOCKLAR: Why are you so sure
2 about the date?

3 A. Because on the computer, if you click on
4 the slide, it has the -- it gives you the
5 size and the date created, information on
6 the file.

7 MR. LOCKLAR: How long did it take
8 you to create it?

9 A. I don't remember.

10 MR. LOCKLAR: Work on it a couple
11 of days, or did you sit down
12 and just do it in a matter of
13 minutes?

14 A. I don't remember.

15 Q. (Continuing by Mr. Gantt) Was this
16 circulated to the other members of Morgan
17 Keegan sales staff or --

18 A. No.

19 Q. What about the bank, Regions --

20 A. No.

21 Q. -- to the tellers or managers?

22 A. Not that I remember.

23 Q. Was it discussed within the branch?

1 MR. ANDERSON: Within the Morgan
2 Keegan or the Regions branch?

3 MR. GANTT: Morgan Keegan branch.

4 A. I remember talking to one FA about it, but
5 that's the only person I remember talking
6 to about it.

7 Q. And who was the FA?

8 A. Mark Henry.

9 Q. What was that discussion involving with
10 Mark Henry?

11 A. I don't really remember it. I remember
12 showing it to him.

13 Q. And answers, suggestions by Mr. Henry?

14 A. I don't remember what he said.

15 Q. Did you associate this with any other
16 marketing materials for Morgan Keegan?
17 What I mean by that is your presentation to
18 [REDACTED] or whomever, did it accompany
19 any other materials?

20 A. Yes.

21 Q. What other materials?

22 A. The approved, one-page, front-and-back
23 slick on the fund.

1 Q. And you don't know how many clients or
2 prospects you gave this particular material
3 to?

4 A. I don't remember giving it to anybody, so I
5 don't know the number.

6 MR. MCNEILL: Not even

7 Mr. Hamrick? We just know --

8 Q. But obviously that's --

9 A. Yeah, obviously. But I don't remember
10 giving it to him.

11 MR. LOCKLAR: So how many clients
12 did you sell the intermediate
13 bond fund to?

14 A. Ballpark about 125.

15 MR. LOCKLAR: Roughly how much was
16 that investment total into the
17 bond fund intermediate?

18 A. Dollars?

19 MR. LOCKLAR: Dollars, yeah.

20 A. It would just be a guess. I don't know.

21 MR. MCNEILL: Well, I have another
22 question, then. You handed it
23 to 125 clients. How many

1 clients do you have?

2 A. Currently?

3 MR. MCNEILL: Well, in the
4 existence of these funds how
5 many clients did you have?
6 '07.

7 A. I would say 450, 500.

8 MR. MCNEILL: So roughly a fourth
9 of the clients were in this
10 fund would be a good guess?

11 A. Yeah.

12 MR. MCNEILL: Was there any push
13 by Morgan Keegan or any other
14 entity for these funds -- to
15 put clients in these funds?

16 A. No. It was five-star fund, great track
17 record, you know, been around since '99.
18 It had accomplished, you know, good
19 things. But it was never pushed inside the
20 firm this is what you need to sell, have to
21 sell. It was just good.

22 MR. LOCKLAR: And when you were
23 talking about the 125 bought

1 into the fund, was it just the
2 intermediate bond fund, or was
3 it into all of the funds?

4 A. All the funds. Closed-end and opened-end.

5 MR. ANDERSON: But I think Ricky's
6 question earlier was how many
7 clients did you have in the
8 intermediate bond fund, not
9 all the bonds total?

10 A. Again, it's a -- in the intermediate, 90,
11 100. Just a guess.

12 MR. LOCKLAR: So the majority of
13 the ones that you sold the
14 bond funds to you placed into
15 intermediate?

16 A. Yes.

17 Q. (Continuing by Mr. Gantt) At the time you
18 were selling the IBFs, intermediate bond
19 fund, what did you think personally what
20 the risk characteristics were?

21 A. You know, the risk characteristics are --
22 you have a couple of different ones. You
23 have credit risk, the risk of the bonds

1 inside and the credit ratings and how those
2 companies perform. You have interest rate
3 risks. So if interest rates go up,
4 sometimes bond values tend to go down. You
5 have prepayment risks for mortgage-backed
6 securities, their ability not to prepay at
7 maturity. The standard deviation, which is
8 a good measure of risk, was the lowest of
9 almost every intermediate bond fund
10 available in the marketplace. The beta,
11 which shows the volatility versus S & P
12 equities was one of the lowest that bond
13 funds had. So using all the historical
14 data and ...

15 Q. Did you believe that the risk
16 characteristics were consistent with what
17 printed on the marketing material that you
18 handed out?

19 A. I don't think this -- This was just a
20 numerical comparison of the rates. This
21 piece didn't discuss the risks. I
22 discussed the risks with my clients using
23 the approved piece, going in detail about

1 what the fund is. This was a question that
2 I got often of people who came to see me
3 who did not want CDs and they wanted
4 something different or they wanted to look
5 at an option that's not a CD. So it's a
6 numerical comparison of that. It doesn't
7 have the risks on there, the risks I
8 explained to them and gave them in the
9 approved piece.

10 Q. What about the risks labeled on the slick?

11 A. Okay. What's your question?

12 Q. Were they consistent with the actual risks
13 of the fund?

14 A. Yes.

15 Q. In your opinion?

16 A. In my opinion.

17 Q. Going back to what you just said just a
18 minute ago, the clients that were looking
19 for something different other than the CD,
20 any of those from Regions -- referrals from
21 Regions Bank?

22 A. Yes.

23 Q. How many?

1 A. Are you -- I just want to make sure.

2 Q. Estimate.

3 A. Are you asking me how many referrals from
4 Regions bought the fund or how many I
5 talked to them about it?

6 Q. Both. One that would fit the parameters of
7 this particular material that you had
8 circulated; okay?

9 A. Okay.

10 Q. And also an estimate as to how many of
11 those actually purchased the fund.

12 A. Okay.

13 MR. ANDERSON: And we're talking
14 just referrals?

15 MR. GANTT: Yes, sir. From
16 Regions Bank.

17 A. I'm going to answer the second question
18 because I know that answer. I had about 30
19 clients buy the fund that were referred to
20 me from the bank.

21 MR. ANDERSON: And by the fund,
22 you're referring to the
23 intermediate bond fund?

1 A. To the intermediate bond fund.

2 MR. LOCKLAR: Just that one or all
3 the funds?

4 A. I'm not 100 percent sure. I think it was
5 around 30 who bought the intermediate
6 fund. As far as number of people that I
7 talked to about it, I don't know. I mean,
8 there were times when people would come
9 into my office and we ended up not doing
10 any business with them. I really didn't
11 have a way of keeping track of people that
12 they sent over to us that we didn't open an
13 account with. So I don't know how many
14 prospects I talked to about it.

15 Q. Not even a guesstimate as to how many you
16 got referred from Regions?

17 A. Just total no matter what we talked about?

18 Q. Yes, sir.

19 A. I would guess -- Do you want a total number
20 or a per year number? I'm trying to -- I
21 don't know. I don't know how many
22 different people -- I mean, I can take a
23 guess. Do you want --

1 Q. It was more than 30? Yes?

2 A. Yes. More than 30.

3 Q. Less than a hundred? More than a hundred?

4 A. I'd probably say more than a hundred.

5 Q. We're speaking from 2003 onward to --

6 MR. ANDERSON: When did you
7 start -- Let me back up and
8 just set some parameters.
9 When did you start working in
10 any Regions Bank branch?

11 A. It was going to be towards the -- around
12 July or August of '04 was before I --

13 MR. MCNEILL: That's a good
14 starting point, then.

15 MR. ANDERSON: So when did you
16 stop servicing any bank
17 branch?

18 A. I think I stopped servicing the Cahaba
19 Heights branch around the beginning of '06,
20 and I think I stopped servicing the
21 Inverness branch towards the end of '06.
22 There was another branch, the Lee branch,
23 that the bank built and it was brand new,

1 and they shut it down a couple of months
2 after they opened it. They sold it.

3 MR. MCNEILL: The branch or the
4 Morgan Keegan presence in the
5 branch?

6 A. The branch. They sold it to another bank.
7 I can't remember the dates of that.

8 MR. MCNEILL: Was your office
9 physically located in the bank
10 branch?

11 A. My primary office was not located at the
12 bank branch.

13 MR. MCNEILL: But you had a
14 satellite office there?

15 A. Yes.

16 MR. MCNEILL: At the Cahaba --

17 A. Cahaba Heights.

18 MR. MCNEILL: Heights. Thank you.

19 A. Cahaba Heights had an office. Inverness
20 had a cubicle.

21 MR. MCNEILL: I follow you.

22 A. Lee branch I think we had a cubicle.

23 Q. (Continuing by Mr. Gantt) How often did you

1 visit each branch?

2 A. It varied. Every week was a little bit
3 different. Tried to stop by once every two
4 weeks or so. Sometimes we would try to --
5 Sometimes I would try to be there for like
6 a half-day on Friday morning on a weekly
7 basis. Sometimes I didn't go that week,
8 so -- but we tried to stop by on a weekly
9 basis if we could. Some quarters it was
10 here's when I'm going to be here. Some
11 quarters it wasn't.

12 Q. Work with me on the referral system from
13 Regions Bank to you.

14 A. Okay.

15 Q. When you come into the satellite office,
16 you have a list of names you're going to
17 call --

18 A. No.

19 Q. -- or they have people waiting on you? How
20 does that work?

21 A. No. How it worked was when Morgan Keegan
22 started covering the branches -- I'm
23 assuming that every branch did it a little

1 bit different based on the relationship
2 with the advisers and the bankers. How we
3 did it was I told them general overview of
4 Morgan Keegan, general overview about what
5 I did and how I run my practice and
6 opportunities where they may want to refer
7 somebody over to me. Typically, the
8 opportunities were if somebody was
9 depositing a check from another investment
10 firm into their account, then that may be
11 an opportunity for them to say, we have an
12 investment guy as well if you want to talk
13 to him. If somebody sells a house and they
14 have cash that they want to invest or
15 somebody sells a business and they have
16 cash that they want to invest, if somebody
17 gets inheritance and they have cash they
18 want to invest or if they have a CD that
19 matures and they do not want to roll it
20 into a CD and they want to talk about
21 investing the money. And that was
22 basically the referrals.

23 MR. LOCKLAR: Is that a model that

1 Morgan Keegan encouraged?

2 A. No.

3 MR. LOCKLAR: In the continuing
4 education or just strategies
5 on marketing Morgan Keegan
6 didn't encourage that type of
7 relationship?

8 A. They encouraged that if we cover a bank
9 branch to have a good relationship with the
10 bankers. Morgan Keegan did not say, here's
11 the list of referrals that you need to --
12 it was just done from clients that I would
13 want to work with. It wasn't a systematic
14 approach. It was people who have money at
15 other firms, love to talk to them. People
16 who have cash that they want to invest,
17 want to talk to them. And that was about
18 it.

19 Q. (Continuing by Mr. Gantt) From our audits
20 we discovered that people with matured CDs
21 at Regions Bank would be referred to Morgan
22 Keegan to purchase one of these funds. How
23 would that work? You're at a satellite

1 office, right, once a week? How would that
2 work?

3 A. Okay. Are you asking me if a bank client
4 had a CD that matured and then they wanted
5 to talk to a Morgan Keegan adviser?

6 Q. Yes.

7 A. Okay. Then two ways. Either the banker
8 would -- If I was there on Friday mornings,
9 then the banker would tell the prospect,
10 Courtland is to going to be here on Friday
11 morning, just come swing by, he'll be
12 here. Or they'd give the prospect my phone
13 number or they'd tell the prospect that I
14 would get in touch with that person and
15 we'd set up a meeting. The people that I
16 sat down with were the people who did not
17 want CDs. They didn't -- If they had a CD
18 that matured and they didn't want to roll
19 it, they didn't like the rate, they didn't
20 want a CD, then that's the only way they
21 would get to me.

22 Q. But in this particular marketing material
23 that you compiled, you're getting better

1 rates of returns just from a normal CD; is
2 that correct?

3 A. I don't understand the question.

4 Q. The rates of returns on the IBF better than
5 the CD; is that right?

6 A. The rates of return on the intermediate
7 bond fund are better than the CDs.

8 Q. That would be a sales pitch from a Regions
9 Bank customer -- or a Regions employee; is
10 that correct?

11 MR. ANDERSON: Say that again.

12 Q. A better rate of return on the IBF would be
13 a sales pitch from a Regions employee to a
14 customer?

15 MR. ANDERSON: From a Regions
16 employee or from --

17 MR. MCNEILL: You need to back it
18 up one question. Were bank
19 personnel -- were they
20 informed of the rates of
21 returns that the intermediate
22 bond fund or the closed-end
23 fund -- did they have that

1 knowledge?

2 A. Yes.

3 MR. MCNEILL: And as such would
4 these employees then would
5 they have already made the
6 suggestion about these funds
7 to their -- to these
8 prospective clients?

9 A. I don't know.

10 MR. MCNEILL: Did the people
11 come -- Did any of your
12 clients that were referred
13 over from the bank, did they
14 ever come in with the
15 knowledge of these funds and
16 existence of these funds?

17 A. Yes.

18 MR. MCNEILL: Did you ever
19 ascertain how they got that
20 knowledge?

21 A. I didn't ask them. I assumed and a lot of
22 times they --

23 MR. MCNEILL: What did you assume?

1 A. I assumed that somebody at the bank told
2 them about it.

3 MR. MCNEILL: Go ahead, Mike.

4 Q. (Continuing by Mr. Gantt) Did you ever tell
5 the bank employees about the Kelso funds?

6 A. Yes.

7 Q. What do you recall telling them?

8 A. I recall when giving them the general
9 overview of Morgan Keegan and what we do,
10 telling them about a lot of the products
11 that we specialized in: the focus list,
12 which is equity portfolio; municipal bonds,
13 because we're one of the leading
14 underwriters in Alabama about municipal
15 bonds and that's where we can add value.
16 At the time Jim Kelso was one of the best
17 intermediate, short-term, and high yield
18 managers in the entire country, and that
19 was something that we could bring to the
20 table. So I told them about all the
21 products that we could offer and how we
22 could help.

23 Q. How was that done?

1 A. How did I communicate that to them?

2 Q. Yes.

3 A. The bank had like a -- I don't know what
4 they call it -- like a Monday morning
5 meeting or a Friday morning meeting before
6 the doors opened where they get everybody
7 together and --

8 Q. Let me stop you. Everybody. Tellers,
9 everybody?

10 A. Yeah.

11 Q. Bank managers? Tellers? Bankers?
12 Everybody?

13 A. Yes. And they go through all their bank
14 stuff, you know, what they want to try to
15 do and all the bank stuff that they have a
16 meeting about. And then, you know,
17 periodically I would be at that meeting and
18 I'd say, you know, glad to meet you; my
19 name is Courtland; I'm a Morgan Keegan
20 adviser; we specialize in comprehensive
21 wealth management; you know, we can do
22 everything from stocks to bonds to
23 municipal; here's what we do.

1 Q. Is that a common practice with other
2 brokers that go -- that handle bank --

3 A. I don't know.

4 Q. Did you ever ask the bank employees to
5 refer the customers to you?

6 A. Did I ever ask bank -- Yeah. To refer
7 clients to me?

8 Q. Yes.

9 A. Yes.

10 MR. MCNEILL: Did you ever have
11 materials that you left at the
12 bank for them to give out
13 either on the intermediate
14 bond fund --

15 A. No. I don't remember giving them material.

16 MR. MCNEILL: On any Morgan Keegan
17 product?

18 MR. GANTT: Slicks or anything.

19 MR. MCNEILL: Any slicks or
20 anything regarding any Morgan
21 Keegan product to hand out?

22 A. No. To hand out to like prospects and
23 clients?

1 MR. MCNEILL: Yes.

2 A. No.

3 MR. LOCKLAR: Was there an
4 informational center set up
5 inside the branches that you
6 would have that material in?

7 A. At some bank branches the firm put a little
8 tall (indicating) and it just said Morgan
9 Keegan. And the only thing it had was
10 information on Morgan Keegan, no products.
11 And I don't think that was in -- I only
12 remember it once.

13 MR. LOCKLAR: So I guess -- I'm a
14 little confused how your
15 prospective clients, then,
16 would have knowledge about
17 these bond funds if the bank
18 employees really didn't know
19 about the product because you
20 didn't give them any slicks to
21 look at.

22 A. Uh-huh (positive response).

23 MR. LOCKLAR: Or did you talk

1 last decade versus other firms' equity
2 research. So that's something that the
3 firm does really well.

4 MR. MCNEILL: So to answer Ricky's
5 question, then, everything
6 that you gave to the bank
7 representatives and employees
8 you did it verbally. You did
9 not have any written material
10 that you left with them?

11 A. Right. I don't remember giving them any
12 written material.

13 MR. LOCKLAR: But you also don't
14 remember giving your client
15 that document either?

16 A. I do not remember giving my client this
17 document.

18 MR. LOCKLAR: So you could have
19 given them some marketing
20 material?

21 A. I don't remember giving them any material.

22 MR. LOCKLAR: Did you ever offer
23 to -- like a sales contest or

1 referral contest to any of the
2 bank employees?

3 A. No.

4 Q. (By Mr. Gantt) How about call parties?

5 A. No.

6 MR. ANDERSON: I'm sorry. What is
7 that?

8 MR. GANTT: A call party.

9 A. I am familiar with the term.

10 MR. ANDERSON: Good. Would you
11 tell me what it is because I'm
12 not.

13 A. A call party is something that a bank does
14 where they keep their employees late one
15 night and they call current clients or they
16 call prospects or they call -- I was never
17 at any of those meetings.

18 Q. (Continuing by Mr. Gantt) Meetings. Were
19 you ever at the calls?

20 A. No. I'm sorry. I was never at a call
21 night, work night at the bank.

22 Q. The only calls that you ever made were the
23 ones from the referrals?

1 A. Yes.

2 Q. From messages from the banks?

3 A. Yes.

4 Q. Are you familiar with any of the call
5 parties that took place that did refer --
6 that the clients were called from a call
7 party and they called you?

8 A. No.

9 MR. LOCKLAR: Do you know whether
10 or not those calls are
11 recorded?

12 A. I do not know.

13 Q. (Continuing by Mr. Gantt) Do you know if
14 the bank employees made a similar type
15 chart?

16 A. I don't know.

17 MR. ANDERSON: To Exhibit 1?

18 MR. GANTT: Yes. To Exhibit 1.

19 A. I don't know if they did or not.

20 MR. LOCKLAR: Do you know whether
21 or not they had a script to go
22 by?

23 A. For what?

1 MR. LOCKLAR: For those call
2 parties to talk about the
3 Morgan Keegan products.

4 A. Let me clarify. I'm not aware of any call
5 night or call party that they did to talk
6 about a Morgan Keegan product. The only
7 call nights, call parties I've ever heard
8 of from the bank are when they're calling
9 on bank products, not anything to do with
10 Morgan Keegan.

11 MR. LOCKLAR: So how would they
12 come up with a list of
13 potential clients or a list of
14 clients to call? Do you know?

15 A. I don't know. That's the bank. I never
16 saw a list. I was never given a list. And
17 to my knowledge, none of the call nights
18 were focused on getting referrals from
19 Morgan Keegan. They were doing their bank
20 stuff.

21 MR. LOCKLAR: Did you ever develop
22 a chart on the other funds?

23 A. I don't think so.

1 MR. LOCKLAR: I mean, you've still
2 got the same computer that has
3 this document on it, so have
4 you looked at your computer to
5 see if you have other charts?

6 A. Yes. I don't.

7 MR. ANDERSON: Yes, you've looked
8 at the computer and verified
9 you don't have other charts?

10 A. Yes. That's correct.

11 MR. LOCKLAR: Have you changed
12 computers since then?

13 A. The computers have been upgraded since
14 2005, but I think the drives they go from
15 one to another.

16 MR. LOCKLAR: Do we know that for
17 sure?

18 MR. STARNES: No.

19 A. Like when I got a new computer, after they
20 set it up, it had everything on it that the
21 old one had. To the best of my knowledge.

22 Q. (Continuing by Mr. Gantt) Do you recall if
23 this was either snail-mailed or e-mailed

1 Exhibit 1 to any clients or prospective
2 clients?

3 A. No. I know it was not e-mailed because it
4 wasn't one document.

5 Q. And it wasn't snail-mailed either?

6 A. No.

7 Q. Any type of management know of its
8 existence?

9 A. No.

10 Q. And Mr. Mark Henry, why was he introduced
11 to it?

12 A. I can't -- I don't -- I can't remember. I
13 know I talked to him about it. I remember
14 talking about it. I don't remember the
15 conversation. I don't think it was where I
16 said, Mark, here, I've got to show this to
17 you and only you. He's the only -- I
18 remember talking to him about it, but I
19 don't know what the conversation was or why
20 I talked to him about it.

21 Q. I mean, was it a common practice for you to
22 run -- or ask him questions or run stuff
23 past him or --

1 A. No.

2 Q. Do you know -- And you don't know if Mark
3 Henry distributed Exhibit 1?

4 A. I don't know.

5 Q. You don't know?

6 A. I do not know.

7 Q. Do you recall if he had obtained a copy of
8 it?

9 A. I don't remember.

10 Q. E-mailed it? Hand-delivered?

11 A. I don't remember if I handed it to him or
12 not. I know I didn't e-mail it. And I
13 don't remember much about that
14 conversation. It may have been where he
15 and I were talking and I showed this to him
16 and he never got a copy of it. I can't
17 remember that.

18 MR. LOCKLAR: But how do you
19 remember today that you did
20 talk to him about it? Have
21 y'all discussed it since
22 then?

23 A. No.

1 MR. LOCKLAR: The fact that you
2 were coming in here to give us
3 a statement, have you talked
4 to him about it?

5 A. No. We did a -- They did an unannounced
6 audit, and in talking to our compliance
7 people they asked me and I just for some
8 reason remember talking to him about it.

9 MR. LOCKLAR: And what's Mark's
10 position?

11 A. He's a financial adviser.

12 MR. LOCKLAR: And this particular
13 chart, was it discovered
14 during the internal audit?

15 A. I provided it. I found this in a stack of
16 papers probably three months ago. So when
17 I found out that this was -- I said, oh, I
18 said, I think I found that.

19 MR. LOCKLAR: So when was this
20 audit, though?

21 A. A couple of weeks ago. Couple of weeks
22 ago.

23 Q. (Continuing by Mr. Gantt) Was this an

1 internal audit or SEC audit or --

2 A. Internal. Unannounced. They just came
3 in. Yeah.

4 MR. LOCKLAR: I'm sorry. Where
5 was the meeting with
6 Mr. Hamrick that this was
7 distributed to him?

8 A. I don't remember where it was distributed.
9 I think I met with him at the Cahaba
10 Heights office, and then I think our second
11 meeting was at my office.

12 MR. LOCKLAR: And when was that?
13 When?

14 A. I think the second meeting was September
15 12th. That was the day the account was
16 opened.

17 MR. ANDERSON: Of '05?

18 A. 2005.

19 MR. LOCKLAR: I think I remember
20 you saying you actually had a
21 date that that -- that you
22 prepared it. What was the
23 date?

1 A. May 18th or 19th, 2005.

2 MR. LOCKLAR: So there's a good
3 possibility between May of '05
4 and September '05 you showed
5 it to more than Mr. Hamrick?

6 A. There's a possibility. I don't remember
7 giving it to anybody else.

8 MR. LOCKLAR: I mean, you have a
9 degree in marketing. You use
10 materials to market a
11 product. You develop the
12 marketing material. Doesn't
13 it make sense that you would
14 have used it somewhere between
15 May and September? I mean,
16 I'm just -- logically it makes
17 sense if you --

18 A. It's possible. But if you ask me did I
19 give it to this person, I don't remember
20 specifically handing it to anybody. It's
21 possible. I don't remember it.

22 MR. LOCKLAR: And what is your
23 understanding about Morgan

1 Keegan's policy as it pertains
2 to materials used in marketing
3 any product?

4 A. Needs to get approved.

5 MR. LOCKLAR: And by what means do
6 you get it approved?

7 A. You get your compliance to sign off on it.
8 And if it's more than 10, then it goes to
9 Memphis. Then Memphis makes changes on it
10 or approves it. Once that's --

11 MR. LOCKLAR: Slow down just a
12 second.

13 MR. MCNEILL: Run that by me one
14 more time. What do you mean
15 by more than 10?

16 A. For like a mass mailing. Like
17 distribution, mass mailing.

18 MR. MCNEILL: Since I just walked
19 back in the room from getting
20 my water, any product -- I
21 mean, any publication that you
22 may have prepared you'd have
23 to get it approved if it went

1 out to more than 10 clients.

2 Is that what you're saying?

3 A. If it was mailed out to more than 10.

4 MR. MCNEILL: On this one right
5 here -- and if I asked this
6 question, I apologize -- was
7 there any type of approval
8 ever done for this chart?

9 A. No, there was not.

10 MR. MCNEILL: Did you receive any
11 reprimand for not getting your
12 approval for that chart?

13 A. No, I did not.

14 MR. MCNEILL: Go ahead, guys. I'm
15 sorry.

16 MR. LOCKLAR: So at the time that
17 you developed the chart you
18 knew the policy of Morgan
19 Keegan?

20 A. I felt that I didn't need to get it
21 approved because I was using it as talking
22 points. I wasn't sending it to anybody.
23 And it was a numerical comparison of rates

1 to answer a question. So at the time I
2 didn't feel like I needed to.

3 MR. LOCKLAR: But you were aware
4 of the policy. Is that what
5 you --

6 A. I was aware of the policy, yes.

7 MR. LOCKLAR: Have you ever
8 created any other document
9 that you would use in a
10 presentation to a client
11 similar to this? Doesn't have
12 to be a chart. Doesn't have
13 to be a comparison. But other
14 marketing material you
15 prepared.

16 A. I mean, I've put together agendas to help
17 me run meetings. Put together, you know,
18 portfolios through our system. I mean,
19 I've created things to help me run
20 meetings.

21 MR. ANDERSON: And, Ricky, your
22 question is something other
23 than a client-specific,

1 one-on-one type of document?

2 MR. LOCKLAR: That is correct.

3 Because this is a more general
4 marketing material. And that
5 is where I'm -- that is what
6 I'm looking for.

7 A. Yeah.

8 MR. LOCKLAR: Did you create
9 anything else that you would
10 have used in marketing any
11 product to your clients?

12 MR. ANDERSON: That was not
13 one-on-one client specific.

14 A. I mean, I don't remember it. It's possible
15 I could have, but I don't remember a
16 specific example.

17 MR. LOCKLAR: Have you ever
18 created like little
19 newsletters or anything like
20 that that you would send out
21 to your clients?

22 A. Created Foresight newsletters through
23 Morgan Keegan.

1 MR. LOCKLAR: And those are
2 approved through your
3 immediate supervisor, or how
4 is that done?

5 A. Those are approved through -- at the firm,
6 the firm's level. And they put it together
7 for us and we can e-mail or mail those out.

8 MR. LOCKLAR: So let me get back
9 to the procedure again. At
10 the time that you created this
11 document, what was the
12 procedure in getting approval
13 for marketing material?

14 A. Show it to compliance officer.

15 MR. LOCKLAR: Who was your
16 immediate compliance officer
17 at the time?

18 A. The two people at the time would have been
19 Annie Lou and Martin Beasley.

20 MR. LOCKLAR: And one of those two
21 would have had to sign off on
22 it?

23 A. Right.

1 MR. LOCKLAR: And then where did
2 it go from there?

3 A. Goes to Memphis.

4 MR. LOCKLAR: And who in Memphis
5 would have reviewed it?

6 A. The compliance department. I don't know
7 anybody's name.

8 MR. LOCKLAR: And did you ever
9 send anything other than the
10 newsletter up through that
11 chain to be approved?

12 A. The newsletter didn't have to -- The
13 newsletter was preapproved by the time it
14 got to us. So I have sent things up to
15 Memphis to get approved.

16 Q. And what sort of things?

17 A. Slides if I'm doing a speaking engagement,
18 letters -- anything as simple as if I'm
19 sending out a Thanksgiving letter to more
20 than 10 of my clients, I send letters up to
21 get approved.

22 MR. MCNEILL: So anything mailing
23 over 10 you send it up?

1 A. Yes.

2 MR. MCNEILL: Whether it was just
3 a Christmas card or whatever?

4 A. Yes. That's right.

5 Q. (Continuing by Mr. Gantt) And when you mean
6 talking points, what do you mean by talking
7 points?

8 A. With reference to this?

9 Q. Yes.

10 A. Again, it was the people who came to sit
11 down with me who didn't want CDs would
12 often ask me, I don't want CDs, what have
13 you got. Then they'd often ask how is
14 this -- what would this do, compare it,
15 show me. So this is the numerical
16 comparison to use as talking points when
17 asked the question.

18 Q. Kept it in a notebook with the other
19 materials and slicks and stuff?

20 A. I didn't keep them in a notebook.

21 Q. Laptop and you just showed them the laptop
22 or I don't --

23 A. Oh, okay. I just had them -- Okay. Like

1 the -- I just had them in a drawer, just --
2 I didn't have them in a three-ring binder
3 that I would show. I just had the piece of
4 paper and then the slicks and then whatever
5 I was showing. I didn't have them in a
6 binder.

7 Q. So is it fair to say that more than
8 Mr. Hamrick had seen Exhibit 1? Being from
9 talking points, obviously [REDACTED] got a
10 copy of it from somewhere?

11 A. Correct. Right.

12 Q. So, therefore, it was in use?

13 A. I used it with [REDACTED], yes.

14 Q. And you had 30, give or take, more clients
15 in the IBF and a hundred plus others that
16 you marketed to. Is it fair to say that
17 that was used in talking points to these
18 other clients?

19 A. I don't remember.

20 Q. I understand you don't remember. Is it
21 fair to say?

22 A. It's possible, but I don't remember
23 specific situations where this was used.

1 Q. Well, yeah. I don't mean to beat a dead
2 horse or anything --

3 A. It's possible.

4 Q. -- but you also don't remember giving it to
5 [REDACTED]?

6 A. That's correct. It's possible.

7 Q. Sure. You didn't make another chart for
8 any other of the Kelso funds?

9 A. No.

10 Q. Just the IBF?

11 A. Yes.

12 Q. Why the IBF?

13 A. Because when people who were -- when
14 prospects were referred over who didn't
15 want CDs, a lot of times they didn't want
16 100 percent stocks either. They wanted
17 something that had -- in the past had a
18 fairly stable NAV that provide a fixed
19 income, just that provide them interest
20 that they could get monthly income from.
21 And based on the stable NAV and the
22 standard deviation in the beta, that's why
23 I used this one.

1 Q. Did principal ever come up -- retention or
2 principal?

3 A. This was a situation where this piece was
4 used for maybe five seconds. Everything
5 was fully disclosed. All the risks were
6 disclosed. People who wanted -- who talked
7 to me didn't want CDs. They didn't want a
8 principal guaranteed product. This piece
9 was used in a five-second conversation when
10 they asked the question. I used the
11 slicks. I went over that you could lose
12 value. I told them the high and the low of
13 the NAV on the last 52 weeks. I gave them
14 the track record. I told them the yield,
15 the performance, the credit rating, the
16 duration, the bonds. All the risks were
17 disclosed. If they didn't want -- If they
18 wanted something that was principal
19 guaranteed, then I didn't -- I sent them
20 back to the bank. The people that I had
21 this conversation with were only people who
22 did not want CDs that wanted to try to
23 invest something that got them a better

1 rate than CDs could.

2 Q. But that could cause them not to want a CD
3 if there's something better out there; is
4 that right?

5 A. If -- That's their decision.

6 Q. Well, your chart obviously says that
7 there's something better than a CD.

8 A. It doesn't say it's something better. It
9 says that the numerical comparison rate of
10 return has been better, but I --

11 MR. LOCKLAR: Describe your
12 typical client for me. What's
13 their educational background?

14 A. I'd probably say typical is probably
15 college education.

16 MR. LOCKLAR: Do you think they
17 understand everything you tell
18 them?

19 A. I would hope that if they didn't understand
20 it they'd ask me a question. I tend to
21 explain things very easily.

22 MR. LOCKLAR: I mean, you can sort
23 of look at somebody in the

1 face when you're talking to
2 them and understand that they
3 have absolutely no idea what
4 you're saying, don't you? I
5 mean, can't you learn to read
6 people over --

7 A. Yeah. If somebody is not understanding,
8 then I would make sure they understood.

9 MR. LOCKLAR: So when you talked
10 about those risk factors, did
11 you talk about how these bond
12 funds were made up?

13 A. Explain to me what you mean by made up.

14 MR. LOCKLAR: Well, what was
15 inside the bond funds? Did
16 you discuss what actually made
17 up the fund?

18 A. Are you asking me did I explain what a CDO
19 and CMO is?

20 MR. LOCKLAR: Yes.

21 A. No.

22 MR. LOCKLAR: Why?

23 A. Why? The fund had around 150 different

1 bonds with the average credit rating of an
2 A to an A minus with average duration of
3 about three years. It was a five-star
4 fund. It had been around since 1999. It
5 never had a down year. And, you know, if
6 you go buy a Toyota, you're not going to
7 explain what this piece in the engine is
8 going to do. You buy the car. It had a
9 great manager, great track record,
10 five-star fund. You owned 160 different
11 things. And I did explain here's the
12 average credit rating, here's the number of
13 bonds that make it up. I did not go into
14 the details about what the specific bonds
15 were. And I went through the duration.

16 MR. MCNEILL: Went through the
17 what? I'm sorry.

18 A. The duration.

19 MR. MCNEILL: Thank you.

20 Q. (Continuing by Mr. Gantt) It's so much
21 easier to throw it in crayons, right, as
22 Exhibit 1 as opposed to trying to explain
23 all this --

1 A. No.

2 Q. -- to somebody?

3 A. No. This was part of a five-minute
4 conversation when people came to me that
5 didn't want CDs, that wanted something
6 different, and they asked the question how
7 had this done comparative. It's a
8 numerical comparison. It's not a risk
9 comparison. I didn't use this to talk
10 about risks. I used this for five minutes
11 as a numerical comparison. I thoroughly
12 went through the funds given the approved
13 pieces. That's 99 percent of it. This was
14 one percent of it when they asked me the
15 question and they didn't want CDs. That's
16 this.

17 Q. Five minutes is a long time.

18 A. Five seconds. I'm sorry. I'm sorry.
19 Sorry about that.

20 MR. MCNEILL: Let me talk to you
21 real quick.

22 MR. ANDERSON: Can we take a quick
23 break?

1 MR. MCNEILL: Yeah. Go ahead.

2 (Brief recess was taken.)

3 Q. (Continuing by Mr. Gantt) I'm going to
4 resume at 10:47 a.m. I just have a few
5 more questions, if you'll bear with me.
6 You mentioned your periodic internal
7 audits, reviews. At each of your reviews
8 did they go through your computer, or what
9 do they do?

10 A. Are you referring to the one a few weeks
11 ago?

12 Q. Yes, sir.

13 A. I don't know.

14 Q. You don't know what is entailed in their
15 audit?

16 A. No. I know that they talked to me after
17 they looked through, I think, files. I
18 don't know if they went -- they didn't tell
19 me to get out of my office so they can go
20 in my computer. I don't know if they did
21 that or not.

22 Q. Go through your desk, your files or --

23 A. They didn't do that when I was there.

1 MR. MCNEILL: Well, let me ask you
2 a question this way, then.
3 Back up a little bit. Since
4 2007 -- I'm just going to put
5 this time frame that we're
6 talking about regarding these
7 funds; okay?

8 A. Okay.

9 MR. MCNEILL: How many times were
10 you reviewed? Is it yearly?
11 Bi-annually?

12 A. Me personally?

13 MR. MCNEILL: Uh-huh (positive
14 response).

15 A. I don't really -- I'm trying to think. I
16 mean, I would have a meeting with the
17 branch manager once a year and did all the
18 CE and the compliance stuff. But as far as
19 like a compliance person interviewing me, I
20 don't remember that happening as far as --

21 MR. MCNEILL: Do you ever recall
22 Morgan Keegan compliance --
23 and I mean from the Memphis

1 office --

2 A. Oh, yes.

3 MR. MCNEILL: -- to come into your
4 firm?

5 A. Yes.

6 MR. MCNEILL: And was it during
7 work hours that they were
8 there?

9 A. Yes. I remember seeing them.

10 MR. MCNEILL: Do you remember ever
11 having an interview with
12 Morgan Keegan compliance
13 regarding just typical issues
14 or anything?

15 A. That it was just me?

16 MR. MCNEILL: Uh-huh (positive
17 response).

18 A. I don't remember sitting down with the
19 auditors from Memphis when they came in to
20 do branch audits. I don't remember them
21 pulling me.

22 MR. MCNEILL: Do you recall if
23 Morgan Keegan compliance

1 officers would come in and do
2 an examination of yours or any
3 other rep's office?

4 A. I don't remember them doing anyone on my
5 office. I don't know if they went into
6 anybody else's office. I don't remember
7 them going into mine.

8 MR. MCNEILL: Did you ever have
9 any communication from Morgan
10 Keegan compliance where they
11 had that right to come in and
12 go through your desk or
13 through your files, go through
14 your computers?

15 A. Did I know --

16 MR. MCNEILL: Were you aware that
17 they would have that right to
18 do so?

19 A. Yeah.

20 MR. MCNEILL: Do you know if they
21 ever exercised that right?

22 A. I'm not aware that they ever exercised the
23 right with me.

1 MR. MCNEILL: Are you aware if
2 they ever exercised that right
3 with anybody there in the
4 Birmingham branch of Morgan
5 Keegan?

6 A. I'm not aware that they went through and
7 went through somebody's office or -- I'm
8 not aware that they did that for anybody
9 else.

10 MR. MCNEILL: Go ahead.

11 Q. (Continuing by Mr. Gantt) Have you ever met
12 Jim Kelso?

13 A. No.

14 MR. ANDERSON: I'm sorry. Did you
15 ever --

16 Q. Meet Jim Kelso?

17 A. No.

18 Q. So you never sat through one of his
19 seminars?

20 A. No.

21 Q. What about a call in from Mr. Kelso?

22 A. Yes.

23 Q. What did that entail?

1 A. The calls that I was on where Jim Kelso was
2 speaking were two types. The first one was
3 when a closed-end fund was getting ready to
4 come out on the market and they were giving
5 us the details of the offering. And then
6 the second type of calls that I was on with
7 Jim were when the credit market froze and
8 he was giving us general updates on the
9 credit markets.

10 Q. Total how many of those call-ins did you
11 attend?

12 MR. ANDERSON: After the credit
13 markets froze?

14 Q. Just each Kelso call.

15 A. How many total calls?

16 Q. Yes.

17 A. I would probably say four total.

18 Q. And were there ever any marketing materials
19 issued in response to those calls?

20 A. Are you asking were there marketing
21 materials given to us before the call?

22 Q. Either before or after that were associated
23 with the particular call that you sat in

1 on.

2 A. The call, no.

3 Q. You obtained the Kelso funds marketing
4 materials? Yes?

5 A. Yes.

6 Q. How did you obtain those?

7 A. The office had them.

8 Q. Supervision or other brokers or what?

9 A. We have -- There's a wall that has glass
10 cubbies where the approved documents were
11 in for certain funds. So Memphis mailed
12 the marketing approved pieces to the branch
13 and then the branch --

14 Q. Displayed them and you pulled them out?

15 A. Yes.

16 Q. Did you ever attend any other seminars or
17 call-ins from other individuals that were
18 talking about the Kelso funds?

19 A. No.

20 Q. Courtney Hines or anybody else? No
21 call-ins? No seminars?

22 A. I don't remember being on any ones other
23 than the ones that Jim was on.

1 Q. Mr. Starnes, you'll probably have to help
2 me out with this. Who was the local that
3 no one ever met, the --

4 MR. STARNES: I think it was
5 Harris.

6 Q. Harris?

7 A. Oh, Doug.

8 MR. ANDERSON: Doug Harris.

9 Q. Have you ever met Doug Harris?

10 A. I have.

11 Q. Did you talk to him about the funds?

12 A. Yes. He was the wholesaler that was -- the
13 wholesaler for the funds.

14 Q. Did he provide you with any marketing
15 materials or anything like that?

16 A. Yes.

17 Q. What kind of conversations did you have
18 with Mr. Harris?

19 A. Just general conversations about the
20 funds. If he had the marketing piece, then
21 I would get that from him. Just general
22 information about what he thought about the
23 fund and how it had done and any specifics

1 and --

2 Q. Was that an official seminar, or was that
3 just a one-on-one?

4 A. It was at where he would come into the
5 office and do lunch and he was just the
6 speaker. So we -- Everyone does it
7 differently. We typically have maybe one
8 wholesaler in a week, and he was on the
9 calendar and would come in, you know, every
10 quarter, six months. I can't remember how
11 often. But he would come into the office
12 and talk to people.

13 Q. And when you first began with Morgan
14 Keegan, how did -- were you paired with
15 another broker?

16 A. When I first started, no.

17 Q. Were you ever paired with another broker?

18 A. Yes.

19 Q. Who is that?

20 A. John Tally. Well, and -- So paired. I had
21 a client that me and Pat Cope shared. I
22 had clients that me and Hamilton Pound
23 share. John, Michael and I share clients,

1 so ...

2 Q. Okay. Now, this will bring me back to our
3 original question about Exhibit 1. Any of
4 those paired individuals have knowledge or
5 access to that particular marketing
6 material?

7 A. No, I don't think so.

8 MR. LOCKLAR: Can I follow up
9 on --

10 MR. GANTT: Yes.

11 MR. LOCKLAR: On the Doug Harris
12 point, you say he would come
13 periodically, but so would
14 other wholesalers; right?

15 A. Yes.

16 MR. LOCKLAR: Did he come more
17 often than most of the others?

18 A. No. We really had it where one mutual fund
19 wholesaler is allowed per week. And there
20 are probably 25 of them that want to come
21 sit down with us. So he didn't come
22 any more frequently than the others did.

23 Q. (Continuing by Mr. Gantt) Did any Regions

1 Bank representatives attend any of these
2 meetings, calls in from Mr. Kelso or with
3 Mr. Doug Harris?

4 A. No on the calls with Jim Kelso. We have --
5 In our main Birmingham office there's a
6 private banker and sometimes he attends the
7 lunches just to --

8 Q. With Doug Harris?

9 A. I can't remember. Actually, not with Doug,
10 because I think Doug was -- is no longer
11 with that thing when the private bankers
12 came. So with Doug, no.

13 MR. LOCKLAR: Did all the agents
14 have to sign in saying they
15 attended those sessions?

16 A. Sometimes we did. Sometimes we didn't.
17 The person who was speaking sometimes they
18 would pass around a sheet for us to sign in
19 and sometimes they wouldn't.

20 MR. LOCKLAR: You made mention
21 that sometimes on those calls
22 from Kelso that he would
23 discuss the details of the

1 offering. What does that
2 mean?

3 A. Okay. When one of his four closed-end
4 funds was the IPO, the initial public
5 offering, was coming out, he would give us
6 the general overview and the details of the
7 offering, meaning what's the size of the
8 offering, you know, how much money are we
9 trying to raise. When he thought that it
10 would pay the first dividend, what month he
11 thought it would pay, what he thought the
12 dividend would be, what he thought the
13 general yield would be, the number of
14 holdings that --

15 COURT REPORTER: Wait. I didn't
16 hear what you said because he
17 was coughing. Sorry.

18 MR. MCNEILL: I'm sorry.

19 A. The number of holdings that he was planning
20 on buying with the money that was raised
21 for the offering. And that was about it.
22 Just the general overview of the -- here's
23 what's getting ready to hit the market.

1 MR. LOCKLAR: And did he tell you
2 the -- what type risks would
3 be associated with that
4 offering?

5 A. Not on the call.

6 MR. LOCKLAR: Obviously the
7 intermediate is one that you
8 seem to like. How did you
9 market that as far as risk to
10 the client?

11 A. As far as risk to the clients, I would
12 explain to them that they could lose money,
13 that it was not guaranteed. I would
14 explain to them that the price changed on a
15 daily basis. I showed them the track
16 record of how it had performed. I didn't
17 tell them that there was any indication
18 that it was going to continue to perform
19 like this. I, in some of the meetings I --
20 with some client, made reference to the
21 standard deviation of the fund, the beta of
22 the fund.

23 MR. LOCKLAR: Let me just -- I've

1 seen where some language has
2 been used in some materials
3 where the intermediate fund's
4 been considered a safe
5 investment. I think that was
6 a general term. There's some
7 other specific language that
8 went along with that.

9 MR. ANDERSON: I'm sorry. Do
10 you --

11 MR. LOCKLAR: It was a safe -- Do
12 you recall the language I'm
13 talking about on some of the
14 slicks?

15 A. No. I know the slick --

16 MR. LOCKLAR: Mike, do you know
17 what I'm talking about? There
18 was some language in there
19 that it was a low risk
20 investment type. Do you
21 recall any of that language
22 being used?

23 A. On the one-page slick?

1 MR. LOCKLAR: Well, in any of the
2 marketing material for the
3 intermediate fund.

4 MR. ANDERSON: That described it
5 as either safe or low risk?

6 MR. LOCKLAR: Or low risk or
7 something to that --

8 A. I don't remember it saying safe or low
9 risk.

10 MR. GANTT: Principal retention?

11 MR. LOCKLAR: Maybe that's what it
12 was. There's some language
13 similar to that. I just
14 wanted to see how -- did you
15 discuss any of that?

16 MR. MCNEILL: I think it's
17 principal retention. That
18 rings a bell with me and I've
19 seen --

20 A. I'm sorry?

21 MR. LOCKLAR: Following up with
22 what Randy just said. Did you
23 remember using that principal

1 retention language?

2 A. No.

3 MR. LOCKLAR: -- in making this --

4 A. No.

5 MR. LOCKLAR: Whenever Mr. Kelso
6 was discussing these funds and
7 as you began to look at the
8 funds, did you understand them
9 pretty well?

10 A. I understood what the funds -- I understood
11 the number of holdings. I understood the
12 average credit rating. I understood the
13 duration, the yield. I understood, you
14 know, the historical data of how it had
15 performed. I understand, you know, what,
16 you know, Jim's funds were trying to
17 provide.

18 MR. LOCKLAR: Did you ever get
19 concerned about these funds
20 before the crash really
21 happened?

22 A. No.

23 MR. LOCKLAR: At any point did you

1 ever stop selling them prior
2 to the crash?

3 A. Prior?

4 MR. LOCKLAR: I mean, did you
5 continue up until the very
6 end?

7 MR. ANDERSON: Can we just pick a
8 time? I mean --

9 MR. LOCKLAR: I guess -- what was
10 it? July?

11 MR. MCNEILL: Summer '07.

12 MR. LOCKLAR: Sometime in '07
13 did --

14 MR. ANDERSON: Did you stop
15 selling them in July of '07 or
16 sometime thereafter?

17 A. Before -- Afterwards?

18 MR. ANDERSON: Right.

19 A. Yeah. After.

20 MR. LOCKLAR: How about prior to
21 that? You just continued
22 right up until that point?

23 A. Yeah.

1 MR. LOCKLAR: And there was no
2 notice given that these funds
3 may be in trouble, nothing
4 coming out of the firm?

5 MR. ANDERSON: Before July of
6 '07?

7 MR. LOCKLAR: Yeah.

8 A. Right. No, not that I can remember.

9 Q. (Continuing by Mr. Gantt) Getting back to
10 [REDACTED]; okay?

11 A. Right.

12 Q. His investment, according to his affidavit,
13 put 70 percent of his funds into the
14 intermediate and 30 percent in the
15 advantage income. Why not diversify his
16 portfolios putting it all into the Kelso
17 funds?

18 A. Are you asking me why not diversify with
19 managers, like more than one manager?

20 Q. Yes. Or a different fund or --

21 A. Two reasons. When you put the intermediate
22 fund together with this high income, the
23 client owned over 300 different holdings.

1 And it was extremely diversified. Up until
2 things, you know, went wrong, Jim was one
3 of the top three fixed income managers in
4 the country. He and Bill Gross were
5 typically in the top three. The
6 intermediate fund was a five-star fund.
7 Closed-end funds, none of them had ever had
8 a down year. And, you know, on the high
9 yield fund, both of them were in the top of
10 what I could go and buy based on all the
11 data that I had. So it was putting
12 something together where the client owned
13 over 300 different holdings with one of the
14 best managers in the entire country.

15 Q. Well, you have 70 percent in the
16 intermediate. Why the advantage? Why 30
17 percent in the advantage coupled with the
18 intermediate?

19 A. I don't remember the specifics of our
20 conversations four years ago. But based on
21 the conversation that I had with [REDACTED] and
22 what he wanted to try to accomplish and
23 rate of return that he wanted to try to

1 get, that was the blend that we put
2 together. You know, if somebody said I
3 wanted six percent versus I wanted eight
4 percent, then, you know, you build it based
5 on what their goals are, what their
6 feelings are.

7 Q. Did you throw something else out there,
8 like Black Rock or is it Femco or --

9 A. I can't remember. I can't remember if I
10 said, here, pick.

11 Q. Like Exhibit 1 you display the different
12 funds for him to choose from, or did you
13 just solely recommend the Kelso?

14 A. Based on the conversation that I had with
15 him, I think at the first meeting we met a
16 second time and that's when I made my
17 recommendation. I don't remember the
18 specific meeting. But based on the
19 conversation of what his goals were and
20 feelings and what he was trying to
21 accomplish, I recommended him -- and with
22 the cash that he was adding, it was going
23 to be 60 percent intermediate, 24 percent

1 high yield, and 16 percent cash is what the
2 overall portfolio ended up being, because
3 it kept cash. I don't remember if I said,
4 Phil, here's a 70/30 mix of these two
5 funds; here's a 70/30 mix of these two
6 funds; you pick which one you want. I
7 don't remember doing that.

8 MR. LOCKLAR: How about with the
9 rest of your clients, do you
10 give them a choice, or do you
11 just slide this out there?

12 A. It completely depends. It depends on --
13 Some clients say, here's my money, I want
14 you to make a recommendation. Some clients
15 say, hey, I want to call you up and I only
16 want you to do my ideas. Some clients say,
17 here, I want you to take some of the money
18 and do your ideas, but I still want to do
19 my ideas. So every client's completely
20 different.

21 MR. LOCKLAR: So about how many
22 clients do you have that you
23 have discretion over their

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accounts?

A. Zero.

MR. LOCKLAR: Even during this time period that we're talking about?

A. That's correct. Zero.

MR. MCNEILL: I don't have anything further. Thank you guys for coming.

(Sworn statement was concluded at approximately 11:05 a.m.)

* * * * *

FURTHER DEPONENT SAITH NOT

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REPORTER'S CERTIFICATE

STATE OF ALABAMA:

MONTGOMERY COUNTY:

I, Lyn D. Vickers, Certified Shorthand Reporter and Commissioner for the State of Alabama at Large, do hereby certify that I reported the sworn statement of:

COURTLAND WILLIAMS

1
2 who was duly sworn by me to speak the truth, the
3 whole truth and nothing but the truth, in the
4 matter of:

5 MORGAN KEEGAN

6 BEFORE THE ALABAMA SECURITIES

7 COMMISSION

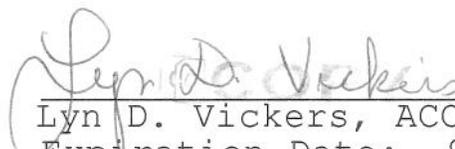
8 Civil Action No. S08-0056

9 on Tuesday, December 22nd, 2009.

10 The foregoing 85 computer-printed pages
11 contain a true and correct transcript of the
12 examination of said witness by counsel for the
13 parties set out herein. The reading and signing is
14 hereby waived.

15 I further certify that I am neither of kin
16 nor of counsel to the parties to said cause nor in
17 any manner interested in the results thereof.

18 This 25th day of January 2010.

19
20
21 
22 Lyn D. Vickers, ACCR #66
23 Expiration Date: 9/30/2010
Certified Court Reporter
And Commissioner for the
State of Alabama at Large