



DELBERT HOSEMANN
Secretary of State

Q & A on Morgan Keegan

Question:

What action has the Secretary of State's Office taken against Morgan Keegan?

Answer:

Our Office has filed an administrative action against Morgan Keegan & Company, Morgan Asset Management and certain corporate officials requesting the revocation of both companies to do business in the State of Mississippi and the imposition of an administrative penalty. You can review a copy of the Order on our website.

Question:

Why has the Secretary of State's Office brought an administrative action against Morgan Keegan & Company and Morgan Asset Management?

Answer:

The Secretary of State is the administrator of securities for the State of Mississippi. As the administrator, we are charged with the responsibility of registering broker-dealers and investment advisers in the State and making sure that they comply with the Mississippi Securities Act. Morgan Keegan & Company is a broker-dealer registered with the agency. Morgan Asset Management is an investment advisor filed with the agency. Our agency has initiated administrative action against both companies because we believe they have failed to conduct their businesses as required by State law.

The specific allegations include:

- 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.

Question:

How many customers are affected?

Answer:

The particular mutual funds at issue lost approximately \$2 billion dollars from March 31, 2007 to March 31, 2008, affecting approximately 13,000 customers.

Question:

How many Mississippi investors were involved?

Answer:

Mississippi investors lost approximately \$30 million dollars. Morgan Keegan only provided information on two of the funds involved in this action. There were approximately 1,200 Mississippi investors in the Select Intermediate Bond fund and approximately 500 investors in the Select High Income Fund. There may be some overlap in the with some Mississippians owning more than one fund.

Morgan Keegan did not provide data on the four other funds in question.

Question:

How many Morgan Keegan branches operate in Mississippi?

Answer:

The Mississippi Secretary of State's Office does not register investment branches. However, according to the Central Records Depository, maintained by Financial Industry Regulatory Authority (FINRA), Mississippi branch offices include:

Bay St. Louis
Columbus
Greenwood
Grenada
Gulfport
Hattiesburg
Jackson
Laurel
McComb
Meridian
Natchez
Oxford
Starkville
Tupelo

Question:

Will Morgan Keegan customers recover their lost investments after the administrative action is completed?

Answer:

Our Office, along with the other states, intends to seek restitution for these investors.

Question:

What happens next?

Answer:

Morgan Keegan & Company, Morgan Asset Management, and the individual Respondents may request a hearing. If they do so, a hearing officer or officers will be appointed and a hearing scheduled.

Should regulators successfully prove the alleged violations and the hearing officer(s) find that Morgan Keegan and Morgan Asset Management's registrations should be revoked and the individual Respondents should be barred from the securities industry, they may appeal. They will appeal according to each state's appeal procedure.

The MS Securities Act provides that appeals from Secretary Hosemann's final order are made to the Chancery Court of the First Judicial District of Hinds County.

Question:

Can Morgan Keegan and Morgan Asset Management continue to operate?

Answer:

Yes, both companies are allowed to operate until the regulators issue their final order.

Question:

Should I seek my own attorney?

Answer:

We encourage investors to seek legal and financial advisors when investing. Personal representation will not interfere with our administrative action.

Question:

Why is the Secretary of State's Office filing the administrative action jointly with the states of Alabama, South Carolina, and Kentucky?

Answer:

All state security regulators are members of the North American Securities Administrators Association. Because of this relationship state regulators often collaborate on investigations and examinations. In 2009, the Mississippi legislature passed a new Securities Act which

formally authorized this multi-state cooperation and collaboration. It specifically authorizes our Office to join other states and combine forces when the states are investigating and prosecuting the same entities. This allows state regulators to combine forces and share resources and talent. It also streamlines the process for the entities being investigated and prosecuted. Instead of responding to duplicative state investigations, they can respond to one combined investigation. Further, they can resolve any allegations of violations of state securities laws in one proceeding.



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