

Stipulated Award
NASD Dispute Resolution, Inc.

he Matter of the Arbitration Between

Name of Claimant

Wachovia Securities, Inc.

Case No. 00-00515

Names of Respondents

Morgan Keegan & Company, Inc.
Mark M. Headrick
Larry L. Crowell
Warren L. Edge

REPRESENTATION OF PARTIES

For Wachovia Securities, Inc. ("Wachovia"), hereinafter referred to as "Claimant": Steven L. Manchel, Esq. of Manchel & Associates, Newton, Massachusetts.

For Respondents Mark M. Headrick ("Headrick"), Larry L. Crowell ("Crowell") and Warren L. Edge ("Edge"): Charles M. Dalziel, Jr., Esq. of Brock, Clay, Calhoun, Wilson & Rogers, Marietta, Georgia.

For Respondent Morgan Keegan & Company, Inc. ("Morgan Keegan"): Shepherd D. Tate, Esq. of Tate, Lazarini & Beall, PLC, Memphis, Tennessee.

CASE INFORMATION

Statement of Claim and Application for Interim Injunctive Relief Including Immediate and Regular Injunctive Relief filed on or about: February 4, 2000.

Brief in Support of Application for Interim Injunctive Relief Including Immediate and Regular Injunctive Relief filed.

Legal Authority Cited in Claimant's Brief in Support of Application for Interim Injunctive Relief filed on or about: February 7, 2000.

Affidavit of Pam Talley and Second Affidavit of Richard McGalliard filed on or about: February 9, 2000.

Reply of Claimant Wachovia Securities, Inc. to Morgan Keegan & Company, Inc.'s Counterclaim filed on or about: April 3, 2000.

Reply of Claimant Wachovia Securities, Inc. f/k/a Interstate/Johnson Lane Corp. to Respondent Mark Headrick's, Respondent Larry Crowell's and Respondent Warren Edge's Counterclaim filed on or about: April 10, 2000.

Claimant signed the Uniform Submission Agreement: February 4, 2000.
Opposition of Morgan Keegan & Company, Inc. to Claimant's Application for an Interim Injunction filed on or about: February 9, 2000.
Brief in Opposition to Motion for Immediate Injunctive Order filed on or about: February 9, 2000.
Affidavits of Warren Edge, Larry Lynn Crowell and Mark Headrick filed on or about: February 9, 2000.
Second Affidavit of Larry Lynn Crowell filed on or about: February 10, 2000.
Answer and Counterclaim of Respondents Mark Headrick, Warren Edge and Larry Crowell filed on or about: March 23, 2000.
Answer and "Counterclaim" of Morgan Keegan & Company, Inc. filed on or about: March 23, 2000.
Respondent Morgan Keegan signed the Uniform Submission Agreement: April 3, 2000.
Respondent Edge signed the Uniform Submission Agreement: March 22, 2000.
Respondent Crowell signed the Uniform Submission Agreement: March 22, 2000.
Respondent Headrick signed the Uniform Submission Agreement: March 23, 2000.
Order of the Injunctive Relief Arbitrator, Christopher J. Moran, Jr., Esq., filed on or about: February 11, 2000.

CASE SUMMARY

Claimant asserted the following causes of action: breach of contract, breach of fiduciary duty, violation of the Georgia Trade Secrets Act, intentional interference with employment relations and contracts and unfair competition/raiding arising out of Respondents' raid of Claimant's LaGrange, Georgia branch office. Claimant alleged the individual Respondents, Claimant's Branch Manager Headrick, and two brokers, Crowell and Edge, violated their employment agreements, fiduciary duties and Claimant's trade secret rights by conspiring with Morgan Keegan to deliver, in its entirety, the personnel, clients, and business reputation of its LaGrange branch to a direct competitor, Morgan Keegan. In furtherance of these efforts, Claimant alleged that Morgan Keegan representatives were allowed into Claimant's LaGrange office to interview Claimant's employees and to physically remove Claimant's confidential customer records, including but not limited to customer statements, new account forms and holding pages containing customer names, addresses, telephone numbers and social security numbers, customer account numbers and customer investment objectives and holdings.

The individual Respondents represented 100% of the office production, generating over \$1 million in annualized revenue for the Claimant. Claimant alleged that Respondents left Claimant's LaGrange office without any brokers or support staff and in such disarray that Claimant was rendered incapable of servicing its customers. Claimant alleged that the group recruitment, misappropriation of customer records and other customer information and the dismantling of Claimant's LaGrange office violated well-established securities industry standards against raiding and unfair competition.

Unless specifically admitted in their Answers, Respondents denied the allegations made in the

Statement of Claim and asserted the following: Respondents engaged in no improper acts, breaches of enforceable contracts, breaches of fiduciary duty, interference with business, disclosure of trade secrets, or unfair competition. The individual Respondents were hired only after they were fired by Wachovia. There is no basis for Wachovia's claims that Morgan Keegan engaged in a plan to lure the individual Respondents away from Wachovia's LaGrange office or that Morgan Keegan assisted the individual Respondents in violating duties they allegedly owed to Wachovia. The individual Respondents were entitled to be and were interested in leaving Wachovia because of the management and operations problems at Wachovia after the merger between Interstate/Johnson Lane and Wachovia, that the individual Respondents were interested in several other firms besides Morgan Keegan, that Morgan Keegan made a good faith effort to negotiate a purchase of the LaGrange office from Wachovia, and that Wachovia reacted to Morgan Keegan's effort by summarily firing the individual Respondents, apparently upset with the fact that the individual Respondents were talking with other firms. The individual Respondents were not under any enforceable contract with Wachovia. Wachovia, by its own actions, is estopped from seeking the relief requested from the panel. There is no proof that any of the damages alleged by Wachovia were proximately caused by any breaches of enforceable contracts or enforceable duties against any of the Morgan Keegan or the individual Respondents, or by any trade secret violations. This case involves no proper claims of trade secrets under the Georgia Trade Secrets Act and Respondents' conduct complied with industry standards.

Further, Respondents asserted that Wachovia's conduct in this case subjects it to claims for attorneys' fees by the individual Respondents under applicable Georgia law, including but not limited to O.C.G.A. Section 10-1-764. Wachovia is also subject to liability to the individual Respondents for interference with their business in maliciously firing them, and then attempting to appropriate a portion of their business they had developed with their own efforts.

RELIEF REQUESTED

Claimant requested regular and permanent injunctive relief, compensatory damages in the amount of \$3,168,970.00, punitive damages and attorneys' fees in an amount to be determined by the arbitration panel.

Respondent Morgan Keegan requested a dismissal of all claims, that the Panel assess costs against Claimant and that the Panel award Morgan Keegan its costs, attorneys' fees and such other relief as it deemed just and proper.

Respondents Headrick, Crowell and Edge requested that the Panel dismiss Claimant's claims as a matter of law; that the Panel deny Claimant any recovery; that the Panel enter an award in favor of Respondents Headrick, Edge and Crowell and against Claimant, for their expenses of litigation including reasonable attorneys fees, and for punitive damages; and that Respondents Headrick, Crowell and Edge be granted such other and further relief as the Panel deemed proper.

OTHER ISSUES CONSIDERED AND DECIDED

On or about February 11, 2000, the injunctive relief arbitrator issued an Order which denied Claimant's request for an interim immediate injunctive order.

On or about December 6, 2000, the arbitration panel issued an Order which granted Respondents' Motion to Dismiss with respect to Claimant's claims for relief based on the enforcement of the covenants respecting competition and solicitation contained in the Employment and Training Agreements between Interstate/Johnson Lane and Respondents Crowell and Edge.

On December 12, 2000, the parties informed the arbitration panel that they had entered into a settlement agreement. Thereafter, the parties executed a Stipulated Award Expunging Language From Form U-5 and Dismissing Case With Prejudice which they asked be incorporated herein.

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

AWARD

After considering the pleadings and the Stipulated Award Expunging Language From Form U-5 and Dismissing Case With Prejudice submitted by counsel, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

The undersigned arbitrators direct the CRD and other regulatory authorities to expunge the current explanation of the reason for Respondent Headrick's termination on his Form U-5 which currently reads "Breach of Fiduciary Duty as a Branch Manager--Not Customer or Sales Practice Related." Wachovia is to then file a new Form U-5 with the explanation that Respondent Headrick was terminated "for communicating with a competitor about employment." The undersigned arbitrators order this expungement relief based upon the defamatory nature of the information currently in the CRD system.

All of the claims asserted in this matter by the parties are hereby dismissed with prejudice, with each party to bear its/his own attorneys' fees and costs.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee	= \$500.00
Counterclaim filing fee	= \$250.00

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. In this matter, the member firms are parties.

Member surcharge	= \$1,200.00
Pre-hearing process fee	= \$600.00
Hearing process fee	= \$2,000.00

Adjournment Fees

Adjournments requested during these proceedings:

September 19-22, 2000 Hearing Dates, adjournment by Claimant, \$1,000.00 adjournment fee waived by the arbitration panel.

October 17 and 18, 2000 Hearing Dates, adjournment by Claimant, \$1,000.00 adjournment fee assessed against Claimant.

Forum Fees and Assessments

The Panel assesses forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with the arbitrator(s), that lasts four (4) hours or less. Fees associated with these proceedings are:

One injunctive relief hearing with a single arbitrator x \$450.00	= \$450.00
Injunctive relief hearing: February 10, 2000	1 session
Three Pre-hearing sessions with a single arbitrator x \$450.00	= \$1,350.00
Pre-hearing conferences: March 27, 2000	1 session
April 4, 2000	1 session
August 22, 2000	1 session
Three Pre-hearing sessions with Panel x \$1,000.00	= \$3,000.00
Pre-hearing conferences: April 12, 2000	1 session
October 31, 2000	1 session
December 5, 2000	1 session
One Hearing session x \$1,000.00	= \$1,000.00
Hearing Date: <u>December 12, 2000</u>	<u>1 session</u>
Total Forum Fees	= \$5,800.00

The Panel has assessed \$2,900.00 of the forum fees to Claimant.

The Panel has assessed \$2,900.00 of the forum fees jointly and severally to Respondents.

Administrative Costs

Administrative costs are expenses incurred due to a request by a party for special services

...ding, but not limited to, additional copies of arbitrator awards beyond those provided without charge, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

There were no administrative costs incurred during these proceedings.

Fee Summary

Claimant be and hereby is solely liable for:

Initial Filing Fee	= \$500.00
Injunctive Relief Surcharge	= \$2,500.00
Member Fees	= \$3,800.00
Adjournment Fee	= \$1,000.00
Forum Fees	= \$2,900.00
Total Fees	= \$10,700.00
<u>Less payments</u>	<u>= \$6,800.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$3,900.00

Respondent Morgan Keegan be and hereby is solely liable for:

Member Fees	= \$3,800.00
Total Fees	= \$3,800.00
<u>Less payments</u>	<u>= \$3,800.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$0.00

Respondents Headrick, Crowell and Edge be and hereby are jointly and severally liable for:

Counterclaim Filing Fee	= \$250.00
Total Fees	= \$250.00
<u>Less payments</u>	<u>= \$250.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$0.00

Respondents be and hereby are jointly and severally liable for:

Forum Fees	= \$2,900.00
Total Fees	= \$2,900.00
<u>Less payments</u>	<u>= \$2,500.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$400.00

All balances are payable to NASD Dispute Resolution, Inc. and are due immediately upon receipt of the Award by the parties.

Concurring Arbitrators' Signatures

_____/s/_____
Christopher J. Moran, Jr., Esq.
Public Arbitrator, Presiding Chair

Signature Date

_____/s/_____
James G. Killough, Esq.
Public Arbitrator

Signature Date

_____/s/_____
Tom G. Gambill, PhD
Industry Arbitrator

Signature Date

April 24, 2001
Date of Service (For NASD-DR office use only)

including, but not limited to, additional copies of arbitrator awards beyond those provided without charge, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

There were no administrative costs incurred during these proceedings.

Fee Summary

Claimant be and hereby is solely liable for:

Initial Filing Fee	= \$500.00
Injunctive Relief Surcharge	= \$2,500.00
Member Fees	= \$3,800.00
Adjournment Fee	= \$1,000.00
Forum Fees	= \$2,900.00
Total Fees	= \$10,700.00
<u>Less payments</u>	<u>= \$6,800.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$3,900.00

Respondent Morgan Keegan be and hereby is solely liable for:

Member Fees	= \$3,800.00
Total Fees	= \$3,800.00
<u>Less payments</u>	<u>= \$3,800.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$0.00

Respondents Headrick, Crowell and Edge be and hereby are jointly and severally liable for:

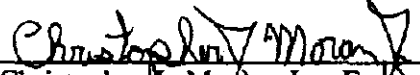
Counterclaim Filing Fee	= \$250.00
Total Fees	= \$250.00
<u>Less payments</u>	<u>= \$250.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$0.00

Respondents be and hereby are jointly and severally liable for:

Forum Fees	= \$2,900.00
Total Fees	= \$2,900.00
<u>Less payments</u>	<u>= \$2,500.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$400.00

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Concurring Arbitrators' Signatures


Christopher J. Moran, Jr., Esq.
Public Arbitrator, Presiding Chair

4/10/01
Signature Date



James G. Killough, Esq.
Public Arbitrator

4/11/80

Signature Date

Tom G. Gambill, PhD
Industry Arbitrator

Signature Date

Date of Service (For NASD-DR office use only)

James G. Killough, Esq.
Public Arbitrator

Signature Date

Tom G. Gambill

Tom G. Gambill, PhD
Industry Arbitrator

4-10-01

Signature Date

Date of Service (For NASD-DR office use only)