

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between

Names of Claimants

Estate of Margaret C. Torbert
E.L. Torbert, Jr. and June Torbert JTEN

Case No. 00-04750

Names of Respondents

Morgan Keegan & Company, Inc.
Dean Morgan Paugh

Hearing Site: Atlanta, Georgia

REPRESENTATION OF PARTIES

For the Estate of Margaret C. Torbert and E.L. Torbert, Jr. and June Torbert JTEN, hereinafter collectively referred to as "Claimants": Rhon E. Jones, Esq. of Beasley, Allen, Crow, Methvin, Portis & Miles, P.C., Montgomery, Alabama and Elizabeth C. Smithart, Attorney at Law, Union Springs, Alabama.

For Morgan Keegan & Company, Inc. ("Morgan Keegan") and Dean Morgan Paugh ("Paugh"), hereinafter collectively referred to as "Respondents": Niel Prosser, Deputy General Counsel, Morgan Keegan, Memphis, Tennessee.

CASE INFORMATION

Statement of Claim filed on or about: October 24, 2000.

Claimants signed the Uniform Submission Agreements: April 26, 2001.

Statement of Answer filed by Respondents on or about: January 2, 2001.

Respondent Morgan Keegan signed the Uniform Submission Agreement: January 8, 2001.

Respondent Paugh signed the Uniform Submission Agreement: January 8, 2001.

Respondents' Motion to Dismiss filed on or about: September 20, 2001.

Claimants' Response to Respondents' Motion to Dismiss filed on or about: October 26, 2001.

Respondents' Reply in Support of Motion to Dismiss filed on or about: November 7, 2001.

Additional submission of Respondents filed on or about: November 29, 2001.

Case law and statutes cited in Claimants' Response to Respondents' Motion to Dismiss filed on or about: December 3, 2001.

Affidavit of E.L. Torbert filed on or about: January 5, 2002.

CASE SUMMARY

Claimants asserted the following causes of action: breach of duty and breach of contract; failure to supervise; fraud/negligent misrepresentation; and, breach of fiduciary duty. The causes of action relate to Respondents' unsuitable recommendations or execution of unauthorized trades in various corporate bonds, including, but not limited to, Bruno's Inc., Stuart Entertainment, and Brazos Sportswear, Inc.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted that Claimants are attempting to re-write history in order to evade losses resulting from their own decisions.

Further, in a Motion to Dismiss Respondents asserted the following: The purchases at issue are barred by the applicable statute of limitations which, depending on the claim, expired either two years after purchase or two years after Claimants were reasonably on notice of their claims. The bonds at issue were purchased on the following dates: Stuart Entertainment-July 30, 1997; Bruno's, Inc.-August 22 and 27, 1997; and, Brazos Sportswear, Inc.-November 3 and 4, 1997. Claimants did not bring suit on these purchases until some 2 1/2 years later, on May 11, 2000. Therefore, the causes of action whose limitation period runs from the time of purchase are thus untimely on their face. Moreover, Claimants were on notice that any representation that the bonds were "safe, conservative investments" was untrue well over two years before filing suit. The notice came in three ways: through the trade confirmation for each bond; through Claimants' monthly statements which reflected ongoing dramatic declines in the bonds' value and by virtue of the fact that one of the bonds at issue had actually gone into default.

In response, Claimants maintained the following: The negligence of Respondent Paugh was continuing in nature and continued until the bonds became worthless. Further, Respondent Paugh continued to breach his fiduciary duty to Claimants throughout the life of the bonds and convinced them to purchase more bonds and stay in bonds that were declining in value. In addition, Respondents continued their negligence following the purchases of the bonds and Respondent Morgan Keegan's duty to supervise Respondent Paugh has continued until the present. Respondents' breach of contract continued after the purchases of the bonds and each time Respondent Paugh reassured Claimants about the accounts and the bonds at issue. Claimant E.L. Torbert's belief in Respondent Paugh as his long-standing investment advisor and the continued assurances that his investments were safe and were with good companies tolled the statute of limitations. In addition, Claimants alleged that the arbitrators, serving as the triers of fact, would look to the evidentiary facts as presented at the hearing rather than summarily dismissing them based upon a motion to dismiss.

RELIEF REQUESTED

Claimants requested rescission, out-of-pocket damages or the benefits a well-managed portfolio would have brought Claimants of at least \$300,000.00; commissions and other fees paid; punitive damages; all of Claimants' costs, expenses and disbursements, including attorneys' fees; interest; and, such other relief as the Panel deemed just and proper.

Respondents requested that all claims against them be dismissed with prejudice and they be awarded all costs and other relief the panel deemed just.

OTHER ISSUES CONSIDERED AND DECIDED

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

In response to Respondents' motion to dismiss, on or about January 31, 2002, the Panel issued an order as follows: Respondents' Motion to Dismiss is granted, without prejudice, on the ground that the relevant statutes of limitation have run and that Claimants have not alleged facts sufficient to prove to the satisfaction of the Panel that Respondents induced them not to file suit within the relevant statutes of limitation periods.

AWARD

After considering the pleadings, the evidence presented at the hearing, and the post-hearing submissions (if any), the Panel has decided in full and final resolution of the issues submitted for determination as follows:

Claimants' claims are dismissed, without prejudice.

Any and all requests for relief not specifically addressed herein, including Claimants' request for punitive damages, are denied.

FEES

Pursuant to the NASD Code of Arbitration Procedure (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	= \$300.00
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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 firm is a party.

Member surcharge	= \$1,500.00
Pre-hearing process fee	= \$600.00
Hearing process fee	= \$2,500.00

Adjournment Fees

Adjournments requested during these proceedings:

There were no adjournments requested during these proceedings.

Forum Fees and Assessments

The panel has the authority to assess 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:

Two Pre-hearing sessions with Panel x \$1,125.00	= \$2,250.00
Pre-hearing conferences: August 20, 2001	1 session
November 26, 2001	1 session
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Total Forum Fees	= \$2,250.00

The panel has assessed \$1,125.00 of the forum fees to Claimants, jointly and severally.

The panel has assessed \$1,125.00 of the forum fees to Respondents, jointly and severally.

Administrative Costs

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

Claimants be and hereby are jointly and severally liable for:

Initial Filing Fee	= \$300.00
Forum Fees	= \$1,125.00

Total Fees	= \$1,425.00
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Less payments = \$1,425.00

Balance Due NASD Dispute Resolution, Inc. = \$0.00

Respondent Morgan Keegan be and hereby is solely liable for:

Member Fees = \$4,600.00

Total Fees = \$4,600.00

Less payments = \$4,600.00

Balance Due NASD Dispute Resolution, Inc. = \$0.00

Respondents be and hereby are jointly and severally liable for:

Forum Fees = \$1,125.00

Total Fees = \$1,125.00

Less payments = \$0.00

Balance Due NASD Dispute Resolution, Inc. = \$1,125.00

All balances are due and payable to NASD Dispute Resolution, Inc. immediately upon receipt of the Award by the parties pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Sonia Fishkin, Esq.	-	Public Arbitrator, Presiding Chair
Jacquelyn Larsen Kiss, CPA	-	Public Arbitrator
Peter Schneider, Esq.	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

_____/S/
Sonia Fishkin, Esq.
Public Arbitrator, Presiding Chair

Signature Date

_____/S/
Jacquelyn Larsen Kiss, CPA
Public Arbitrator

Signature Date

_____/S/
Peter Schneider, Esq.
Non-Public Arbitrator

Signature Date

February 15, 2002
Date of Service (For NASD-Dispute Resolution office use only)

Less payments = \$1,425.00

Balance Due NASD Dispute Resolution, Inc. = \$0.00

Respondent Morgan Keegan be and hereby is solely liable for:

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Less payments = \$4,600.00

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Jacquelyn Larsen Kiss, CPA	-	Public Arbitrator
Peter Schneider, Esq.	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures



Sonia Fishkin, Esq.
Public Arbitrator, Presiding Chair


Signature Date

Jacquelyn Larsen Kiss, CPA
Public Arbitrator

Signature Date

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Less payments = \$4,600.00

Balance Due NASD Dispute Resolution, Inc. = \$0.00

Respondents be and hereby are jointly and severally liable for:

Forum Fees = \$1,125.00

Total Fees = \$1,125.00

Less payments = \$0.00

Balance Due NASD Dispute Resolution, Inc. = \$1,125.00

All balances are due and payable to NASD Dispute Resolution, Inc. immediately upon receipt of the Award by the parties pursuant to Rule 10330(a) of the Code.

ARBITRATION PANEL

Sonia Fishkin, Esq.

Public Arbitrator, Presiding Chair

Jacquelyn Larsen Kiss, CPA

Public Arbitrator

Robert Schneider, Esq.

Non-Public Arbitrator

Concurring Arbitrators' Signatures

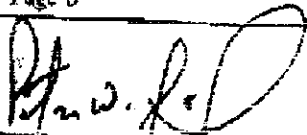
Sonia Fishkin, Esq.

Signature Date

Public Arbitrator, Presiding Chair

Jacquelyn Kiss
 Jacquelyn Kiss, CPA
 Public Arbitrator

2/1/02
 Signature Date



Peter Schneider, Esq.
Non-Public Arbitrator

2/1/02
Signature Date

Date of Service (For NASD-Dispute Resolution office use only)