
Award
NASD

In the Matter of the Arbitration Between:

Name of Claimant

Ted Cook, Sr.

Case Number:

01-02044

Names of Respondents

Morgan Keegan & Company, Inc.
Clarence O. Paugh

Hearing Site:

Atlanta, GA

REPRESENTATION OF PARTIES

For Ted Cook, Sr., hereinafter referred to as "Claimant": Thomas E. Baddley, Jr., Esq., Baddley & Mauro, L.L.C., Birmingham, AL.

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

CASE INFORMATION

Statement of Claim filed on or about: April 16, 2001.

Claimant signed the Uniform Submission Agreement: March 29, 2001.

Respondent Paugh signed the Uniform Submission Agreement: May 30, 2001.

Respondent MKC did not file an executed Uniform Submission Agreement.

Answer of Respondents Clarence Paugh & Morgan Keegan filed on or about: June 26, 2001.

Amended Statement of Claim filed on or about: July 19, 2001.

Second Amended Statement of Claim filed on or about: April 1, 2002.

Response to Claimant's Second Amended Statement of Claim filed by Respondents on or about: April 15, 2002.

Respondents' Motion for a More Definite Statement or in the Alternative to Dismiss filed on or about: April 15, 2002.

Third Amended Statement of Claim filed on or about: June 14, 2002.

Motion to Dismiss filed by Respondents on or about: July 12, 2002.

Claimant's Objection and Opposition to Respondents' Motion to Dismiss filed on or about: August 9, 2002.

CASE SUMMARY

Claimant asserted the following causes of action: breach of contract; breach of implied duty of good faith; fraudulent misrepresentation; negligence and wantonness; and negligent and wanton

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supervision. The causes of action relate to the trading in Claimant's account in almost exclusively speculative, high risk stocks, including Bellwether stock, CamNet stock, Compression Lab stock, Computer Products stock, Electrocom stock, Emulex stock and Isolyser stock.

Unless specifically admitted in their Answers, Respondents denied the allegations of wrongdoing set forth in the Statement of Claim and asserted various defenses.

RELIEF REQUESTED

Claimant requested compensatory damages in the amount of \$850,000.00, damages for mental anguish and emotional distress and unspecified punitive damages.

Respondents requested that the Statement of Claim be dismissed in its entirety, that Claimant be assessed costs and expenses of this proceeding, including reasonable attorney's fees, that all references to this matter be expunged from Respondent Paugh's registration records maintained by the NASD Central Registration Depository ("CRD"), and any other relief deemed just and proper.

OTHER ISSUES CONSIDERED AND DECIDED

Respondent MKC did not file with NASD a properly executed submission to arbitration but is required to submit to arbitration pursuant the NASD Code of Arbitration Procedure (the "Code") and, having answered the claim, is bound by the determination of the undersigned arbitrators (the "Panel") on all issues submitted.

On or about April 15, 2002, Respondents filed a Motion for More Definite Statement or in the Alternative to Dismiss which alleged that Claimant has failed to specify the relevant facts as required under the Code. Claimant did not file a response. On or about May 21, 2002, the arbitration panel issued an order which stated that Claimant shall file a Third Amended Statement of Claim, identifying the securities and/or transactions at issue in Counts III through V, no later than June 14, 2002; that should Claimant fail to file a Third Amended Statement of Claim identifying said securities and/or transactions, then Counts III through V shall be dismissed; and, that the proceedings shall be stayed unless NASD receives copies of orders dismissing and/or staying the proceedings before the American Arbitration Association and pending in the Circuit Court of Jefferson County, Alabama.

On or about July 12, 2002, Respondents filed with NASD a Motion to Dismiss, which alleged that the purchases at issue occurred between 1992 and 1999 and Claimant did not bring this action until April 16, 2001. Pursuant to the Code, purchases made more than six years prior to the date of Claimant's filing are barred by the limitations on submission contained in Rule 10304 of the Code. Further, any claim regarding Claimant's remaining purchases is barred by the applicable state statute

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of limitations which, depending on the claim, expired either: two years after purchase or two years after Claimant was reasonably on notice of his claims. Since Claimant's last purchase was on March 18, 1999 and Claimant was on notice that he was not investing "conservatively" in low-risk, income-producing investments more than two years before filing suit, his claims are therefore barred.

On or about August 9, 2002, Claimant filed with NASD an Objection and Opposition to Respondents' Motion to Dismiss, which alleged that the measuring event is not necessarily the purchase of the securities, instead the six-year eligibility period under Rule 10304 of the Code should begin to run upon Claimant's discovery of losses and/or the discovery that his account was being actively traded in speculative, high risk securities. Based upon the fact that Respondents were on written notice of Claimant's mismanagement and breach of fiduciary duty claims as early as March of 2000, that any and all transactions for which he claims damages occurring from March of 1994 to present are eligible for consideration by the Panel. Further, for statute of limitations purposes, the date of filing should be considered March of 2000, when Respondents were placed on direct written notice of Claimant's claims of mismanagement and breach of fiduciary duty. Thereafter, on or about August 14, 2002, the Panel issued an order that granted Respondents' Motion to Dismiss, and dismissed Claimant's claim in its entirety.

The parties agreed to have the Award in this matter executed in counterpart copies.

AWARD

After considering the pleadings, Respondents' Motion to Dismiss, Claimant's Objection and Opposition to Respondents' Motion to Dismiss, the oral argument of counsel and the entire record in this matter, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. The Claimant's claim is dismissed in its entirety.
2. All other relief not specifically granted herein, including Respondents' request for expungement of Respondent Paugh's registration records maintained by the NASD CRD, is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee = \$ 375.00

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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 that employed the associated persons at the time of the events giving rise to the dispute. Accordingly, Respondent MKC is assessed:

Member surcharge	= \$ 2,000.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$ 3,500.00

Adjournment Fees

Adjournment fees were not assessed in this matter.

Injunctive Relief Fees

Injunctive relief fees are assessed to each member or associated person who files for a temporary injunction in court. Parties in these cases are also assessed arbitrator travel expenses and costs when an arbitrator is required to travel outside his or her hearing location and additional arbitrator honoraria for the hearing for permanent injunction. These fees, except the injunctive relief surcharge, are assessed equally against each party unless otherwise directed by the panel.

Injunctive relief fees were not assessed in this matter.

Forum Fees and Assessments

The Arbitrator has the authority to assess forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrators, including a pre-hearing conference with the arbitrators, that last four (4) hours or less. Fees associated with these proceedings are:

Two (2) Pre-hearing sessions with the Panel @ \$ 1,200.00	= \$ 2,400.00
Pre-hearing conferences: November 9, 2001 1 session	
August 14, 2002 1 session	
<hr/> Total Forum Fees	<hr/> = \$ 2,400.00

1. The Panel has assessed \$1,200.00 of the forum fees to Claimant.
2. The Panel has assessed \$1,200.00 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 beyond the normal administrative services. These include, but not limited to, additional copies of arbitrator awards, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

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Administrative costs were not incurred in this matter.

Fee Summary

1. Claimant is solely liable for:

Initial Filing Fee	= \$ 375.00
<u>Forum Fees</u>	= \$ 1,200.00
Total Fees	= \$ 1,575.00
<u>Less payments</u>	= \$ 1,575.00
Balance Due NASD	= \$ 0.00

2. Respondent MKC is solely liable for:

<u>Member Fees</u>	= \$ 6,100.00
Total Fees	= \$ 6,100.00
<u>Less payments</u>	= \$ 6,100.00
Balance Due NASD	= \$ 0.00

3. Respondents are jointly and severally liable for:

<u>Forum Fees</u>	= \$ 1,200.00
Total Fees	= \$ 1,200.00
<u>Less payments</u>	= \$ 0.00
Balance Due NASD	= \$ 1,200.00

All balances are payable to NASD and are due upon receipt pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Lisa V. Gianneschi, Esq.	-	Public, Presiding Chairperson
Karla Y. Vogel, Esq.	-	Public Arbitrator
Michael J. Stern	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

_____/S/
Lisa V. Gianneschi, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date

_____/S/
Karla Y. Vogel, Esq.
Public Arbitrator

Signature Date

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Michael J. Stern

Non-Public Arbitrator

Signature Date

September 6, 2002

Date of Service (For NASD office use only)

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Fee Summary


Initial Filing Fee	= \$ 375.00
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Karla Y. Vogel, Esq.	-	Public Arbitrator
Michael J. Stern	-	Non-Public Arbitrator


Lisa V. Gianneschi, Esq.
Public Arbitrator, Presiding Chairperson

8/26/02
Signature Date

Signature Date

Karla Y. Vogel, Esq.
Public Arbitrator

Signature Date

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Administrative costs were not incurred in this matter.

Fee Summary

1. Claimant is solely liable for:

Initial Filing Fee	= \$ 375.00
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Total Fees	= \$ 1,575.00
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3. Respondents are jointly and severally liable for:

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Balance Due NASD	= \$ 1,200.00

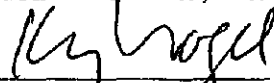
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Karla Y. Vogel, Esq.	-	Public Arbitrator
Michael J. Stern	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Lisa V. Gianneschi, Esq.
Public Arbitrator, Presiding Chairperson


Karla Y. Vogel, Esq.
Public Arbitrator

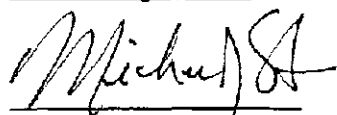
Signature Date

8/26/02
Signature Date

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A handwritten signature in dark ink, appearing to read "Michael J. Stern", written over a horizontal line.

Michael J. Stern

Non-Public Arbitrator

A handwritten date "8/26/02" in dark ink, written over a horizontal line.

Signature Date

Date of Service (For NASD office use only)