

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Name of Claimant

Thomas D. East

and

Case Number: 04-03344
Hearing Site: Louisville, Kentucky

Names of Respondents

Morgan Keegan & Company, Inc.,
and John Sheldon Cotton

NATURE OF DISPUTE

Customer v. Member and Associated Person

REPRESENTATION OF PARTIES

Thomas D. East ("East" or "Claimant") was represented by James A. Shuffett, Esq., Lexington, Kentucky.

Morgan Keegan & Company, Inc. ("Morgan Keegan") was represented by Niel Prosser, Esq., Morgan Keegan & Company, Inc., Memphis Tennessee.

John Sheldon Cotton ("Cotton") did not make an appearance at the hearing.

CASE INFORMATION

The Statement of Claim was filed on or about May 6, 2004. The Submission Agreement of Claimant was signed on or about May 14, 2004.

A Statement of Answer and Motion to Dismiss was filed by Morgan Keegan on or about August 26, 2004. The Submission Agreement of Morgan Keegan was signed by Shea O'Brien Hicks, Esq. on or about August 20, 2004.

Claimant's Response to Morgan Keegan's Motion to Dismiss was filed on or about September 3, 2004. Morgan Keegan's Reply to Claimant's Response to the Motion to Dismiss was filed on or about November 24, 2004. Claimant's Further Response to Morgan Keegan's Motion to Dismiss was filed on or about December 7, 2004.

Cotton adopted Morgan Keegan's Statement of Answer on or about August 20, 2004. The Submission Agreement of Cotton was signed on or about October 19, 2004.

CASE SUMMARY

Claimant asserted the following causes of action: intentional misrepresentation; deceit; conversion; violation of Rule 2330 of the NASD Conduct Rules and omission of material facts. The causes of action are related to the recommendation and purchases of Electronic Arts and Qlogic stocks. Claimant alleged that Respondents failed to follow his instructions and purchased options that were unauthorized which led to losses in his account.

Unless specifically admitted in its Answer, Morgan Keegan denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimant's Statement of Claim failed to state a claim upon which relief can be granted; Claimant's claims are barred by the equitable doctrines of ratification, waiver, estoppel, and laches; Claimant's claims are barred by the doctrine of unclean hands and illegality; and Claimant's claims are barred and/or limited by the doctrine of contributory/comparative negligence.

Unless specifically admitted in his Answer, Cotton denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimant's Statement of Claim failed to state a claim upon which relief can be granted; the Claimant's claims are barred by the equitable doctrines of ratification, waiver, estoppel, and laches; Claimant's claims are barred by the doctrine of unclean hands and illegality; and Claimant's claims are barred and/or limited by the doctrine of contributory/comparative negligence.

RELIEF REQUESTED

Claimant requested an award in the amount of \$40,400.00 in compensatory damages, \$121,200.00 in punitive damages, \$50,000.00 in attorney's fees and any other costs associated with this proceeding.

Respondent Morgan Keegan requested that the claims asserted against it be denied in their entirety and that it be awarded its costs and attorneys' fees and such other relief as this panel deemed just and equitable.

Respondent Cotton requested that the claims asserted against him be denied in their entirety and that he be awarded his costs and attorneys' fees and such other relief as this panel deemed just and equitable.

OTHER ISSUES CONSIDERED & DECIDED

On January 27, 2005, the panel issued an order denying Morgan Keegan's Motion to Dismiss.

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. In either case, the parties have agreed to receive conformed copies of the award while the original(s) remain on file with NASD Dispute Resolution ("NASD").

AWARD

After considering the pleadings, the testimony, and the evidence presented at the hearing, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

- 1) Respondents, Morgan Keegan & Company, Inc., and John Sheldon Cotton, are jointly and severally liable for and shall pay to Claimant, Thomas D. East, the sum of \$11,595.00 in compensatory damages;
- 2) That other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter; and
- 3) Any relief not specifically enumerated, including punitive damages and attorney fees, is hereby denied with prejudice.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution will retain the non-refundable filing fees for each claim:

Initial claim filing fee = \$300.00

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 person at the time of the events giving rise to the dispute. In this matter, the member firm is Morgan Keegan & Company, Inc.

Member surcharge	= \$1,700.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$2,750.00

Forum Fees and Assessments

The Arbitration Panel assesses 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 lasts four (4) hours or less. Fees associated with these proceedings are:

Two (2) Pre-hearing sessions with Panel	\$1,125.00	= \$2,250.00
Pre-hearing conferences:	November 8, 2004 1 session	
	January 26, 2005 1 session	
Five (5) Hearing sessions x	\$1,125.00	= \$5,625.00
Hearing Dates:	July 18, 2005 3 sessions	
	July 19, 2005 2 sessions	
Total Forum Fees		= \$7,875.00

The Arbitration Panel has assessed \$562.50 of the forum fees to Thomas D. East.

The Arbitration Panel has assessed \$7,312.50 of the forum fees jointly and severally to Morgan Keegan & Company, Inc. and John Sheldon Cotton.

Fee Summary

Claimant, Thomas D. East, is liable for:

Initial Filing Fee	= \$ 300.00
Forum Fees	= \$ 562.50
Total Fees	= \$ 862.50
Less payments	= \$1,425.00
Refund due to Claimant	= \$ 562.50

Respondent, Morgan Keegan & Company, Inc., is liable for:

Member Fees	= \$5,200.00
Total Fees	= \$5,200.00
Less payments	= \$5,200.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondents, Morgan Keegan & Company, Inc. and John Sheldon Cotton, are jointly and severally liable for:

Forum Fees	= \$7,312.50
------------	--------------

Total Fees	= \$7,312.50
<u>Less payments</u>	<u>= \$ 0.00</u>
Balance Due NASD Dispute Resolution	= \$7,312.50

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

ARBITRATION PANEL

Earle R. Frost, Jr., Esq. - Public Arbitrator, Presiding Chair
Jeffrey M. Bain, Esq. - Public Arbitrator
Kenneth George Mueller - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Earle R. Frost, Jr. Esq.
Earle R. Frost, Jr., Esq.
Public Arbitrator, Presiding Chair

08/01/05
Signature Date

/s/ Jeffrey M. Bain, Esq.
Jeffrey M. Bain, Esq.
Public Arbitrator

08/01/05
Signature Date

/s/ Kenneth George Mueller
Kenneth George Mueller
Non-Public Arbitrator

08/02/05
Signature Date

08/03/05
Date of Service (For NASD office use only)

Total Fees	= \$7,312.50
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$7,312.50

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

ARBITRATION PANEL

Earle R. Frost, Jr., Esq. - Public Arbitrator, Presiding Chair
Jeffrey M. Bain, Esq. - Public Arbitrator
Kenneth George Mueller - Non-Public Arbitrator

Concurring Arbitrators:

Earle R. Frost, Jr., Esq.
Public Arbitrator, Presiding Chair

August 1, 2005
Signature Date

Jeffrey M. Bain, Esq.
Public Arbitrator

Signature Date

Kenneth George Mueller
Non-Public Arbitrator

Signature Date

Date of Service (For NASD office use only)

Total Fees	= \$7,312.50
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$7,312.50

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

ARBITRATION PANEL

Earle R. Frost, Jr., Esq. - Public Arbitrator, Presiding Chair
Jeffrey M. Bain, Esq. - Public Arbitrator
Kenneth George Mueller - Non-Public Arbitrator

Concurring Arbitrators:

Earle R. Frost, Jr., Esq.
Public Arbitrator, Presiding Chair

Jeffrey M. Bain, Esq.
Public Arbitrator

Kenneth George Mueller
Non-Public Arbitrator

Signature Date

August 1, 2005

Signature Date

Signature Date

Date of Service (For NASD office use only)

Total Fees	= \$7,312.50
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$7,312.50

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

ARBITRATION PANEL

Earle R. Frost, Jr., Esq. - Public Arbitrator, Presiding Chair
Jeffrey M. Bain, Esq. - Public Arbitrator
Kenneth George Mueller - Non-Public Arbitrator

Concurring Arbitrators:

Earle R. Frost, Jr., Esq.
Public Arbitrator, Presiding Chair

Signature Date

Jeffrey M. Bain, Esq.
Public Arbitrator

Signature Date



Kenneth George Mueller
Non-Public Arbitrator

08-02-2005

Signature Date

Date of Service (For NASD office use only)