
Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimant
Morgan Keegan & Company, Inc.

Case Number: 05-06434

Name of the Respondent
Larry S. Rule, Jr.

Hearing Site: Boca Raton, Florida

Nature of the Dispute: Member vs. Associated Person.

REPRESENTATION OF PARTIES

For Morgan Keegan & Company, Inc., hereinafter referred to as "Claimant": Shea O'Brien Hicks, Esq., Vice President and Associate Attorney, Morgan Keegan & Company, Inc., Memphis, Tennessee.

For Larry S. Rule, Jr., hereinafter referred to as "Respondent": John L. Chalif, Esq., Law Offices of John D. Chalif, J.D., LL.M, Palm Beach Gardens, Florida.

CASE INFORMATION

Statement of Claim filed on or about: December 15, 2005.

Claimant signed the Uniform Submission Agreement: December 15, 2005.

Statement of Answer and Counterclaim filed by Respondent on or about: February 27, 2006.

Respondent signed the Uniform Submission Agreement: February 13, 2006.

Response to Counterclaim and Motion for More Definite Statement or, Alternatively, Motion to Dismiss filed by Claimant on or about: March 9, 2006.

Reply to Response to Counterclaim and Motion for More Definite Statement or, Alternatively, Motion to Dismiss filed by Respondent on or about: May 3, 2006.

Motion for Partial Summary Judgment filed by Respondent on or about: June 19, 2006.

Response to Motion for Partial Summary Judgment filed by Claimant on or about: June 20, 2006.

Emergency Motion for Protective Order filed by Claimant on or about: August 29, 2006.

Response to Claimant's Emergency Motion for Protective Order filed by Respondent on or about: September 1, 2006.

CASE SUMMARY

Claimant asserted a claim for breach of contract. The cause of action relates to Respondent's former employment by Claimant, the Promissory Note and Agreement executed by Respondent on May 16, 2000 and the Addendum executed by the parties on April 24, 2002 (the "Agreements").

Unless specifically admitted in his Statement of Answer, Respondent denied the allegations contained in the Statement of Claim and asserted various defenses. In addition, in his Counterclaim, Respondent asserted the following causes of action: (I) fraud in the inducement and misrepresentation; (II) breach of covenant of good faith and fair dealing and contract; (III) loss of compensation, stock, commissions, revenues and signing funds; (IV) defamation; (V) tortious interference with advantageous business relations, business relationships, contracts, partnership, and prospective business relationships and contracts; (VI) conversion; and, (VII) unenforceability of the contracts at issue. The causes of action relate to Respondent's former employment by Claimant and the Agreements at issue.

Unless specifically admitted in its response to Respondent's Counterclaim, Claimant denied the allegations contained therein and asserted a Motion to Dismiss Respondent's Counterclaim on the basis that Respondent failed to provide facts to support his claims.

RELIEF REQUESTED

Claimant requested: 1) compensatory damages in an amount equal to \$150,697.75; 2) default interest at a rate of 10% from the inception of the note until paid in full; 3) attorneys' fees and costs; 4) such additional and further relief as may be deemed just and appropriate. Further, in its Response to Respondent's Counterclaim, Claimant requested that the Panel order Respondent to provide a detailed set of facts to support his Counterclaim or, alternatively dismiss the claims in their entirety.

In his Counterclaim, Respondent requested: 1) compensatory, monetary, punitive, and ruminative relief in excess of \$1,000,000.00 and not anticipated to exceed \$3,000,000.00; 2) an order declaring that the agreements at issue are void *ab initio*, void unenforceable and/or have contractual agreements that may exist under the purported 2000 agreements and the 2002 amendment deemed not due, discharged, satisfied, offset unconscionable, and/or not appropriate for the Panel to enforce, or in the alternative have the "contracts" modified as may be deemed appropriate; and, 3) other relief as may be deemed just, equitable and appropriate by the Panel.

OTHER ISSUES CONSIDERED AND DECIDED

On or about May 16, 2006, the Panel issued an Order which granted in part and denied in part Claimant's Motion to Dismiss Respondent's Counterclaim. The Panel dismissed Counts I, II, IV, V and VII of Respondent's Counterclaim, without prejudice, and denied Claimant's Motion to Dismiss Counts III, and VI of the Counterclaim. The Order further stated that Claimant's Motion for a More Definite Statement is moot.

Respondent asserted a Motion for Partial Summary Judgment on the basis that Claimant is pursuing a claim upon documents which do not exist or which Claimant failed to maintain. Claimant objected to this motion. On or about July 11, 2006, the Panel issued an Order which denied Respondent's Motion for Partial Summary Judgment.

Claimant filed an Emergency Motion for Protective Order to which Respondent objected. On or about September 7, 2006, the Panel issued an Order which prohibited Respondent from requiring Claimant to produce some of its employees as witnesses at the evidentiary hearing. During the evidentiary hearing on or about September 11, 2006, Respondent again moved to have Claimant produce some of its employees as witnesses. Claimant objected. The Panel prohibited Respondent from requiring Claimant to produce 5 (five) employees as witnesses as the Panel determined that their testimony would be duplicative and that the application of the apex doctrine applies to some of these witnesses.

During the evidentiary hearing on or about September 13, 2006, Claimant moved to reserve its closing argument until after Respondent presented his case to which Respondent objected. The Panel granted Claimant's motion. Thereafter, Respondent asserted an ore tenus Motion for Directed Verdict to which Claimant objected. The Panel denied Respondent's motion.

The parties have agreed that the Award in this matter may be executed in counterpart copies.

AWARD

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

Respondent is liable on the claim of breach of contract and shall pay to Claimant compensatory damages in the amount of \$145,500.75, plus interest at the rate of 10% per annum on the compensatory damage award accruing from the date of service of this Award until the Award is paid in full. Additionally, Respondent is liable and shall pay to Claimant pre-judgment interest in the amount of \$125,756.66.

Pursuant to the terms of the contract dated May 16, 2000, Respondent is liable and shall pay to Claimant attorneys' fees in an amount to be determined by a court of competent jurisdiction.

The Panel determined that Respondent shall recover nothing with respect to his Counterclaim and accordingly denied Counts III and VI of Respondent's Counterclaim.

Any and all claims for relief not specifically addressed herein, including Respondent's request for punitive damages, are denied.

FEES

Pursuant to NASD Code of Arbitration Procedure (the "Code"), the following fees are assessed:

Filing Fees

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

Initial claim filing fee	= \$1,000.00
Counterclaim filing fee	= \$ 500.00

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 Morgan Keegan & Company, Inc. is a party.

Member surcharge	= \$1,700.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$5,000.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed:

There were no adjournments requested during these proceedings for which fees were assessed.

Three-Day Cancellation Fees

Fees apply when a hearing on the merits is postponed or settled within three business days before the start of a scheduled hearing session:

No three-day cancellation fees were incurred 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.

No injunctive relief fees were incurred in this matter.

Forum Fees and Assessments

The Panel has assessed forum fees for each session conducted or each decision rendered on a discovery-related motion on the papers. A 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) Decisions on discovery-related motions on the papers with One (1) arbitrator @ \$200.00 per each Claimant submitted one (1) discovery-related motion	= \$ 400.00
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Respondent submitted one (1) discovery-related motion

One (1) Pre-hearing session with a single arbitrator @ \$450.00/session =\$ 450.00
Pre-hearing conference: September 7, 2006 1 session

Two (2) Pre-hearing sessions with the Panel @ \$1,200.00/ session =\$ 2,400.00
Pre-hearing conferences: April 12, 2006 1 session
May 16, 2006 1 session

Six (6) Hearing sessions @ \$1,200.00/ session = \$7,200.00
Hearing Dates: September 11, 2006 2 sessions
September 12, 2006 2 sessions
September 13, 2006 2 sessions

Total Forum Fees =\$10,450.00

The Panel has assessed \$5,225.00 of the forum fees to Claimant.

The Panel has assessed \$5,225.00 of the forum fees to Respondent.

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 are not limited to: additional copies of arbitrator awards; copies of audio transcripts; retrieval of documents from archives; interpreters; and, security.

There were no administrative costs incurred during these proceedings.

Fee Summary

Claimant is solely liable for:

Initial Filing Fee	= \$ 1,000.00
Member Fees	= \$ 7,450.00
Forum Fees	= \$ 5,225.00
Total Fees	= \$13,675.00
Less payments	= \$ 7,325.00
Balance Due NASD Dispute Resolution	= \$ 6,350.00

Respondent is solely liable for:

Counterclaim Filing Fee	= \$ 500.00
Forum Fees	= \$ 5,225.00
Total Fees	= \$ 5,725.00
Less payments	= \$ 1,700.00
Balance Due NASD Dispute Resolution	= \$ 4,025.00

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

ARBITRATION PANEL

Howard A. Rose, Esq.	-	Public Arbitrator, Presiding Chairperson
Gloria O. North, Esq.	-	Public Arbitrator
Bernard A. Taub	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

/s/

09/20/2006

Howard A. Rose, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date

/s/

09/20/2006

Gloria O. North, Esq.
Public Arbitrator

Signature Date

/s/

09/20/2006

Bernard A. Taub
Non-Public Arbitrator

Signature Date


September 20, 2006

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

ARBITRATION PANEL

Howard A. Rose, Esq.	-	Public Arbitrator, Presiding Chairperson
Gloria O. North, Esq.	-	Public Arbitrator
Bernard A. Taub	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures


Howard A. Rose, Esq.
Public Arbitrator, Presiding Chairperson

Sept 19, 2006
Signature Date

Gloria O. North, Esq.
Public Arbitrator

Signature Date

Bernard A. Taub
Non-Public Arbitrator

Signature Date

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Concurring Arbitrators' Signatures

Howard A. Rose, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date

Gloria O. North

Gloria O. North, Esq.
Public Arbitrator

9-20-06

Signature Date

Bernard A. Taub
Non-Public Arbitrator

Signature Date

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Gloria O. North, Esq.
Public Arbitrator

Signature Date


Bernard A. Taub
Non-Public Arbitrator

9/20/06
Signature Date

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