

**Award
FINRA Dispute Resolution**

In the Matter of the Arbitration Between:

Names of the Claimants

Case Number: 09-04501

Herschel Zarecor IRA
Mona Zarecor IRA
Herschel and Mona Zarecor
Herschel Zarecor III IRA
Herschel Zarecor III

Name of the Respondent

Hearing Site: Little Rock, Arkansas

Morgan Keegan & Company Inc.

Nature of the Dispute: Customer vs. Member.

REPRESENTATION OF PARTIES

For Herschel Zarecor IRA ("H. Zarecor IRA"), Mona Zarecor IRA ("M. Zarecor IRA"), Herschel and Mona Zarecor ("H. and M. Zarecor"), Herschel Zarecor III IRA ("H. Zarecor III IRA") and Herschel Zarecor III ("H. Zarecor III"), hereinafter collectively referred to as "Claimants": Howard B. Prossnitz, Esq., The Law Offices of Howard Prossnitz, Chicago, Illinois

For Morgan Keegan & Company Inc., hereinafter referred to as "Respondent": Larry E. Mobley, Esq., Barrasso Usdin Kupperman Freeman & Sarver, L.L.C., New Orleans, Louisiana.

CASE INFORMATION

Statement of Claim filed on or about: July 30, 2009.

Claimants H. Zarecor IRA, M. Zarecor IRA and H. and M. Zarecor signed the Submission Agreement: May 24, 2009.

Claimant H. Zarecor III IRA signed the Submission Agreement: May 18, 2009.

Claimant H. Zarecor III signed the Submission Agreement: October 25, 2010.

Statement of Answer filed by Respondent on or about: November 5, 2009.

Respondent signed the Submission Agreement: August 17, 2009.

Motion to Dismiss filed by Respondent on or about: August 5, 2010.

Opposition to Motion to Dismiss filed by Claimants on or about: August 12, 2010.

Reply in Further Support of its Motion to Dismiss filed by Respondent on or about: August 23, 2010.

Motion for Leave to file Amended Statement of Claim filed by Claimants on or about: August 12, 2010.

Opposition to Motion for Leave to file Amended Statement of Claim filed by Respondent on or about: August 23, 2010.

Amended Statement of Claim by Claimants filed on or about: September 13, 2010.

CASE SUMMARY

Claimants asserted the following causes of action, as amended: 1) violation of the Arkansas Securities Act; 2) violation of the New Jersey Securities Act; and, 3) violation of Rule 10(b)-5 of the Securities Act of 1934. The causes of action relate to Respondent's alleged failure to disclose the nature and extent of the risk involved in investing in certain bond funds, including but not limited to, the Morgan Keegan Advantage Income Fund, the Morgan Keegan Strategic Income Fund and the Morgan Keegan Multi-Sector Income Fund in Claimants' accounts.

Unless specifically admitted in its Answer, Respondent denied the allegations made in the Statement of Claim and asserted various affirmative defenses.

RELIEF REQUESTED

In the Statement of Claim, Claimants requested compensatory damages in the amount of \$615,255.96, pre-judgment interest, costs, attorneys' fees, reimbursement of FINRA fees and such further and other relief as this Panel deemed appropriate.

In the Statement of Answer, Respondent requested that the Panel dismiss Claimants' claim in its entirety, costs, expenses, attorneys' fees, expert witness fees, an assessment of FINRA fees to Claimants and such other, further and general relief to which it may be entitled.

OTHER ISSUES CONSIDERED AND DECIDED

The Panel acknowledges that they have each read the pleadings and other materials filed by the parties.

Claimant filed a Motion for Leave to Amend the Statement of Claim in order to add an additional count for violation of Rule 10(b)-5 of the Securities Act of 1934. In response, Respondent alleged that the proposed Amended Statement of Claim fails to plead the elements for a Section 10(b)-5 claim. Subsequently, on or about September 8, 2010, the Panel issued an Order that granted Claimants' Motion for Leave to Amend the Statement of Claim.

Respondent filed a Motion to Dismiss alleging, among other things, that it is not associated with the accounts, securities or conduct at issue. Claimants filed their opposition alleging, among other things, that Respondent was the lead underwriter of the funds and was intimately involved in the preparation of sales and marketing materials. On September 21, 2010, after hearing oral argument from the parties, the Panel issued an Order that denied Respondent's Motion to Dismiss.

On or about October 7, 2010, prior to the commencement of the evidentiary hearing, Respondent filed a Motion in Limine to Exclude Introduction of or Reference to Fund Management Issues, to Exclude Evidence of Regulatory Actions and to Strike and to Exclude Evidence Relating to the Intermediate Bond Fund. The Panel deferred ruling on the motion until the evidentiary hearing. At the final hearing, the Panel heard oral

argument from the parties and subsequently granted the motion in part and denied the motion in part.

During the final hearing, Claimants asserted an ore tenus motion to amend the Statement of Claim to add claims for damages in Herschel Zaracor III's individual account. Respondent did not oppose the motion and the Panel granted Claimants' motion.

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, 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 found liable and shall pay to Claimants compensatory damages as follows:

To Claimant H. Zarecor IRA - \$149,000.00
To Claimant M. Zarecor IRA - \$114,000.00
To Claimant H. and M. Zarecor - \$90,000.00
To Claimant H. Zarecor III IRA - \$184,000.00
To Claimant H. Zarecor III - \$4,000.00

Any and all claims for relief not specifically addressed herein, including the parties' requests for attorneys' fees, are denied.

FEES

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

Filing Fees

FINRA Dispute Resolution assessed a filing fee* for each claim:

Initial claim filing fee = \$1,575.00

**The filing fee is made up of a non-refundable and a refundable portion.*

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. Accordingly, Respondent is a party and a member firm.

Member surcharge = \$2,250.00
Pre-hearing process fee = \$ 750.00
Hearing process fee = \$4,000.00

Discovery-Related Motion Fees

Fees apply for each decision rendered on a discovery-related motion.

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/s/
Diana A. Weiner
Public Arbitrator

10/28/10
Signature Date

/s/
Louis M. Skydell
Non-Public Arbitrator

10/27/10
Signature Date

10/28/10
Date of Service (For FINRA Dispute Resolution use only)

Three (3) Decisions on discovery-related motions on the papers with (1) one arbitrator @ \$200.00 = \$600.00
Claimant submitted one discovery-related motion
Respondent submitted two discovery-related motions

Total Discovery-Related Motion Fees = \$600.00

The Panel has assessed \$300.00 of the discovery-related motion fees jointly and severally to Claimants.
The Panel has assessed \$300.00 of the discovery-related motion fees to Respondent.

Hearing Session Fees and Assessments

The Panel has assessed hearing session fees for each session conducted. 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:

Three (3) Pre-hearing sessions with the Panel @ \$1,200.00/session = \$ 3,600.00
Pre-hearing conferences: January 12, 2010 1 session
September 21, 2010 1 session
October 1, 2010 1 session

Nine (9) Hearing sessions @ \$1,200.00/session = \$10,800.00
Hearing Dates: October 19, 2010 3 sessions
October 20, 2010 3 sessions
October 21, 2010 3 sessions

Total Hearing Session Fees = \$14,400.00

The Panel has assessed \$7,200.00 of the hearing session fees jointly and severally to Claimants.


The Panel has assessed \$7,200.00 of the hearing session fees to Respondent.

All balances are payable to FINRA Dispute Resolution and are due upon receipt.

ARBITRATION PANEL

Richard A. Van Kalker - Public Arbitrator, Presiding Chairperson
Diana A. Weiner - Public Arbitrator
Louis M. Skydell - Non-Public Arbitrator

Concurring Arbitrators' Signatures


Richard A. Van Kalker
Public Arbitrator, Presiding Chairperson

10/27/10
Signature Date



Diana A. Weiner
Public Arbitrator

10-28-10
Signature Date

Louis M. Skydell
Non-Public Arbitrator

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