

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. C05050029

TO: Department of Enforcement
NASD

RE: **Morgan Keegan & Company, Inc.**, Respondent
[CRD No. 4161]
and
Woodley H. Bagwell, Respondent
General Securities Sales Supervisor,
General Securities Principal, and
General Securities Representative
[CRD No. 10084]
and
George E. Bagwell, III, Respondent
General Securities Sales Supervisor,
General Securities Principal, and
General Securities Representative
[CRD No. 10078]

Pursuant to Rule 9216 of the NASD Code of Procedure, Morgan Keegan & Company, Inc., Woodley H. Bagwell and George E. Bagwell, III submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against us alleging violations based on the same factual findings.

We understand that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against us; and
3. If accepted:
 - a. this AWC will become part of our permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against us;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about our disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and

- d. We may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation in this AWC or create the impression that the AWC is without factual basis. Nothing in this provision affects our testimonial obligations or right to take legal or factual positions in litigation or other proceedings in which NASD is not a party.

We also understand that our experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Morgan Keegan & Company, Inc. has been a member of NASD since September 3, 1969. During all periods mentioned herein, Morgan Keegan & Company, Inc. was a registered broker-dealer with the United States Securities and Exchange Commission (the "Commission") and a member of NASD, which registration and membership remain currently in effect. Morgan Keegan & Company, Inc. has not been the subject of any relevant formal disciplinary action by any regulatory body within the past five years.

Woodley H. Bagwell entered the securities industry on July 28, 1982 as a General Securities Representative of Morgan Keegan & Company, Inc., a member of the NASD. During all periods mentioned herein, Woodley H. Bagwell was associated with member firm Morgan Keegan & Company, Inc. and was registered with NASD under Article V of the By-Laws as a General Securities Sales Supervisor, General Securities Principal, and General Securities Representative. Woodley H. Bagwell is currently associated with Morgan Keegan & Company, Inc. and has not previously been the subject of a formal disciplinary action by any regulatory body.

George E. Bagwell, III entered the securities industry on July 29, 1982 as a General Securities Representative of Morgan Keegan & Company, Inc., a member of the NASD. During all periods mentioned herein, George E. Bagwell, III was associated with member firm Morgan Keegan & Company, Inc. and was registered with NASD under Article V of the By-Laws as a General Securities Sales Supervisor, General Securities Principal, and General Securities Representative. George E. Bagwell, III is not currently associated with any member firm and has not previously been the subject of a formal disciplinary action by any regulatory body.

I.

WAIVER OF PROCEDURAL RIGHTS

We specifically and voluntarily waive the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against us;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, we specifically and voluntarily waive any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

We further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

II.

ACCEPTANCE AND CONSENT

- A. We hereby accept and consent, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding in which NASD is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:
 - 1. During the period from on or about August 1, 1998, through on or about November 1, 2001, Morgan Keegan & Company, Inc., acting through Woodley H. Bagwell and George E. Bagwell, III, failed to supervise the activities of registered representative Hampton F. Hook in that:
 - a. Hook was able to exercise discretion in the accounts of four public customers without having obtained prior written authorization from the subject customers and without prior written acceptance of the accounts as discretionary by the firm; and
 - b. Hook was able to recommend 195 purchase and sale transactions in

various securities in the Morgan Keegan account of public customer CR without having reasonable grounds for believing that the frequency and nature of the recommended transactions were suitable for CR based on CR's financial situation, objectives, circumstances, and needs.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3010 by Morgan Keegan & Company, Inc., Woodley H. Bagwell, and George E. Bagwell, III.

1. During the period from on or about October 30, 2000, through on or about August 1, 2001, Morgan Keegan & Company, Inc., acting through Woodley H. Bagwell and George E. Bagwell, III, failed to supervise the activities of registered representative Robert S. Ellison in that Ellison was able to exercise discretion in the accounts of three public customers without having obtained prior written acceptance of the accounts as discretionary by the firm.

Such acts, practices, and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3010 by Morgan Keegan & Company, Inc., Woodley H. Bagwell, and George E. Bagwell, III.

B. We also consent to the imposition, at a maximum, of the following sanctions:

A monetary fine in the amount of \$30,000, which is to be assessed against Morgan Keegan & Company, Inc., Woodley H. Bagwell, and George E. Bagwell, III, jointly and severally.

A six-month suspension of Woodley H. Bagwell from association with any member of NASD in any principal capacity.

A six-month suspension of George E. Bagwell, III from association with any member of NASD in any principal capacity.

The sanctions imposed herein shall be effective on a date set by NASD staff.

III.

OTHER MATTERS

A. We understand that we may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. We understand that we may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.

- B. We agree to pay any monetary sanctions imposed on us upon notice that this AWC has been accepted and that such payments are due and payable as noted above and have attached an Election of Payment form showing the method by which we propose to pay any fine imposed.
- c. We specifically and voluntarily waive any right to claim that we are unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.
- D. We understand that if barred or suspended from associating with any NASD member, we become subject to a statutory disqualification as that term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934, as amended. Accordingly, we may not be associated with any NASD member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. (See NASD Rule 8310 and IM-8310-1.)

We certify that we have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce us to submit it.

5-23-05
Date

Morgan Keegan & Company, Inc.

By: James T. Kitt

James T. Kitt General Counsel
[Name and Title]

Reviewed by:

[Signature]
Counsel for Respondent
Morgan Keegan & Company, Inc.

Letter of Acceptance, Waiver,
and Consent
Morgan Keegan & Company, Inc.,
Woodley H. Bagwell and
George E. Bagwell, III
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5/23/05
Date

Woodley H. Bagwell
Woodley H. Bagwell, General Securities
Sales Supervisor, General Securities
Principal, and General Securities
Representative

Reviewed by:


Counsel for Respondent
George E. Bagwell, III

5/23/05
Date

George E. Bagwell, III
George E. Bagwell, III, General Securities
Sales Supervisor, General Securities
Principal, and General Securities
Representative

Reviewed by:


Counsel for Respondent
George E. Bagwell, III

Accepted by NASD:

May 26, 2005
Date

Warren E. Suttler Jr.
Senior Vice President and
Regional Director

Signed on behalf of the Director of ODA, by
delegated authority

Attachment: Election of Payment Forms