STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:	)	
	)	
MORGAN KEEGAN & COMPANY, INC.,	)	
CRD No. 4161;	)	
WILLIAM KEVIN THOMPSON, CRD No. 3152399;	)	Case No. AP-13-11
RICHARD TEMPLE MURRAY, JR., CRD No. 1132444;	)	
and	)	
KEVIN LEE EDWARDS, CRD No. 1616603,	)	
	)	

ORDER TO CEASE AND DESIST AND TO SHOW CAUSE WHY RESTITUTION, CIVIL PENALTIES, COSTS, AND OTHER RELIEF SHOULD NOT BE IMPOSED

On April 3, 2013, the Enforcement Section of the Securities Division of the Office of Secretary of State (the "Enforcement Section"), through Chief Counsel Patrick T. Morgan, submitted a Petition for an Order to Cease and Desist and to Show Cause Why Restitution, Civil Penalties, Costs, and Other Relief Should not be Imposed.

I. FACTUAL BACKGROUND

The petition alleges, in relevant part, the following facts:

A. The Respondents

1. Morgan Keegan and Company, Inc. ("Morgan Keegan") is incorporated in the State of Tennessee with a home office address of Fifty Front Street Morgan Keegan Tower, Memphis, Tennessee 38103 ("Morgan Keegan Home Office"). As of April 2012, Morgan Keegan became a wholly-owned subsidiary of Raymond James Financial Inc. ("Raymond James"). Morgan Keegan is registered in Missouri as a broker-dealer with Central Registration Depository ("CRD") number 4161.

2. William Kevin Thompson ("Thompson"), at all times relevant, was a managing director in Morgan Keegan's Public Finance Department at the Morgan Keegan Home Office. Thompson was a Missouri-registered securities agent with Morgan Keegan from January 15, 2009, through January 2, 2013, with CRD number 3152399. Since January 2, 2013, Thompson has been a registered agent with Raymond James.

3. Richard Temple Murray ("Murray") was a Missouri-registered securities agent with Morgan Keegan from October 1, 2007 to April 30, 2012, with CRD number 1132444. During Murray's employment with Morgan Keegan, Murray was a managing director in its Public Finance Department.

4. Kevin Lee Edwards ("Edwards") was a Missouri-registered securities agent and investment adviser representative with Morgan Keegan from March 20, 2009 and March 28, 2012, respectively, through February 13, 2013, with CRD number 1616603. At all times relevant to this matter, Edwards was located at the branch offices of Morgan Keegan at 825 Maryville Centre Drive, #300, Town and Country, Missouri 63017 and/or 8182 Maryland Avenue, 12th Floor, St. Louis, Missouri 63105. Since February 13, 2013, Edwards has been a registered securities agent and investment adviser representative with Raymond James.

B. The Participants

5. The City of Moberly is located in Randolph County, Missouri, with a population of approximately 14,000.

6. The Industrial Development Authority for the City of Moberly ("IDA") is a public and industrial development corporation of the State of Missouri, formed under the Industrial Development Act of the Revised Statutes of Missouri.

7. Mamtek International, Ltd. ("Mamtek Int'l"), is a Chinese company that purportedly produced and sold sucralose, a sugar substitute, from a plant in Fujian Province, China.

8. Mamtek U.S., Inc. ("Mamtek U.S."), was a Delaware corporation organized on May 17, 2010, with a last known address of 2121 Avenue of the Stars No. 2800, Los Angeles, California 90067. Mamtek U.S. was incorporated in Missouri on June 2, 2010. According to records maintained by the Missouri Secretary of State's Corporations Division, Mamtek U.S.'s registered agent for service of process was National Registered Agents, Inc., with an address of 300-B East High Street, Jefferson City, Missouri 65101. Mamtek U.S. was an affiliate of Mamtek Int'l and was administratively dissolved in Missouri on January 10, 2012.

9. As used in this order, and unless otherwise specified, Mamtek Int'l and Mamtek U.S. are collectively referred to as "Mamtek."

10. As used in this order, the entities described in Paragraphs 5 through 8 in addition to Morgan Keegan are referred to collectively as the "Participants."

C. The Sucralose Facility

11. In or around early 2010, Mamtek Int'l began looking for a location in the United States in which to locate its first U.S. sucralose-producing facility.

12. In or around March 2010, the Department of Economic Development for the State of Missouri introduced Mamtek Int'l to, among other Missouri cities, Moberly.

13. In late April 2010, Mamtek Int'l selected Moberly as the site for the sucralose facility.

14. The sucralose facility was expected to cost $32.25 million.

15. To finance the sucralose facility's construction, the Participants ultimately entered into a number of agreements (the "Agreements").

D. Financing the Facility

16. Under the Agreements, the IDA agreed to issue $39 million in bonds to be sold to the public (the "Bonds").

17. The IDA would then loan the Bonds' proceeds to Moberly.

18. Using the funds borrowed from the IDA, Moberly would pay for the construction of the sucralose facility.

19. And, to do that, Moberly agreed to provide the borrowed funds to Mamtek, who contracted with the city to design, construct, equip, manage, and operate the sucralose facility.

20. The IDA and Moberly agreed that Moberly would pay back the IDA to, among other things, pay back the bondholders.

E. Paying Back Moberly & the Bondholders

21. Under the Agreements, Mamtek U.S. was to pay back Moberly using revenue generated by operating the sucralose facility.

22. Under the Agreements, Mamtek U.S. "unconditionally guaranteed" Moberly that it would make debt service payments to Moberly in an amount sufficient to pay back the IDA which would, in turn, pay back the bondholders.

F. Moberly's Appropriation

23. In the Agreements, Moberly provided that it would, after 2010, direct certain city officials to submit a yearly budget request for Moberly to pay back the IDA from Moberly's accounts.

24. The Agreements and the Official Statement— the document that Morgan Keegan assembled and that was used to offer and sell the Bonds in the State of Missouri—state that Moberly was "not legally obligated to appropriate funds to pay" the amounts necessary to pay back the bondholders under the Agreements.

25. Per the Agreements and the Official Statement, the IDA was not legally bound, or required, to pay back the Bonds.

26. Under the Agreements, Mamtek was the only Participant who "unconditionally guarantee[d] . . . the full and prompt payment" of the funds that were to be used to "timely make debt service payments on the Bonds."

G. Security for the Bondholders' Payments

27. As security for Mamtek's guaranty to pay back Moberly, Mamtek agreed to place three of its purported assets into escrow (the "Backstop"), specifically Mamtek's:

    a. sales agreement with Xibo Pharmaceutical Group (the "Xibo Contract"), a purported Chinese company that promised to purchase sucralose from Mamtek;

    b. rights to Mamtek's pending patent applications related to Mamtek's sucralose-producing technology; and

    c. trade secrets in producing sucralose (Mamtek's rights to the patent applications and its trade secrets are collectively referred to as Mamtek's "intellectual property").

28. In e-mails to Respondents Thompson and Murray on May 26, 2010, and June 15, 2010, Mamtek represented to those respondents that, if Mamtek was unable to perform its obligations under the Agreements, a substitute sucralose producer could replace Mamtek, use the Backstop's underlying technology, deliver on the Xibo Contract, and perform Mamtek's obligations under the Agreements.

H. The Independent Appraisal of the Backstop

29. To value the Backstop, Moberly hired Pellegrino & Associates, LLC, whose report ("Pellegrino Report") ultimately valued the Backstop at over $52 million (Pellegrino Report p.52).

30. The Pellegrino Report valued the Xibo Contract at 85% of the Backstop's worth, but considered the Xibo Contract's "key risks" to be:

    a. Mamtek U.S.'s reliance on a single customer—i.e., Xibo—whose "credibility . . . as a buyer" was explicitly not determined by the Pellegrino Report, yet "ha[d] material value impact" on the Backstop's worth (Pellgrino Report p. 33); and

    b. the lack of a minimum purchase amount in the Xibo Contract that could "create significant losses for Mamtek U.S., thus impairing the value of the [Backstop] significantly." (Pellegrino Report p. 33)

31. The Pellegrino Report also identified what it termed "key risks" to the Backstop's intellectual property component, including, among others:

a. claims from Mamtek's own patent attorney that the United States Patent and Trademark Office ("USPTO") may "scale back . . . drastically" Mamtek's most valuable patent application, which would make the bondholders' security for the Bonds entirely dependent on the Xibo Contract and the trade secrets (Pellegrino Report p. 31);

b. that Mamtek's patent applications had not yet been granted, which would undermine Mamtek's ability to prevent other sucralose producers from using similar technology (Pellegrino Report p.31); and

c. the potentially-impaired market value of Mamtek's patent applications because they were only applications and not actual patents (Pellegrino Report p.32).

32. The Pellegrino Report stated that "[i]mportantly, patent offices have rejected Mamtek International's claimed inventions to date" (Pellegrino Report p.38).

33. The Pellegrino Report also noted that it could not verify certain claims by Mamtek U.S. representatives regarding "plant performance in China [and] final claims structure for patent applications" (Pellegrino Report p.2).

34. Finally, the Pellegrino Report estimated that Mamtek's attempt to produce and sell sucralose only had a 25% chance of success (Pellegrino Report p.43).

I. Morgan Keegan's Underwriting of the Bonds and Due Diligence into Mamtek

35. Prior to hiring Morgan Keegan (see Paragraph 37 below), Moberly contacted a Missouri municipal bond underwriting firm to underwrite the Bonds' offering.

36. However, this firm chose to not underwrite the offering because the required underwriting timeframe for the offering—approximately 90 days at the time—was too strenuous.

37. Moberly hired Morgan Keegan to underwrite the Bonds on or about May 17, 2010, until Bond closing on July 27, 2010 (the "underwriting period"), at which time Morgan Keegan purchased all of the Bonds to resell to the public.

38. Respondents Thompson and Murray led Morgan Keegan's underwriting of the Bonds, communicating with and getting information from both Mamtek and Moberly.

39. Respondents Morgan Keegan, Thompson, and Murray agreed to assist with the Bonds' financing and perform due diligence into the offering and into Mamtek.

J. Moberly's Ability to Pay Back the Bondholders without Mamtek

40. According to its own statements, Respondent Morgan Keegan considered its "primary focus" to be "the financial condition of Moberly," and so Morgan Keegan's focus was on structuring Moberly's financing for the bonds.

41. As the financing was structured, Moberly was to pay back the IDA over $49 million over 15 years from the same account that Moberly used to pay for its police, fire, and street departments.

42. According to estimates made during the underwriting period, Moberly's scheduled 2011 bond payment to the IDA of $4.4 million would have been:

    a. 95% of Moberly's 2009 fiscal year ability to "meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies"; and

    b. 65% of Moberly's entire estimated 2010 fund used to pay for government services.

43. Moberly's scheduled 2011 bond payment of $4.4 million to the IDA would have been more than Moberly's 2010-projected expenditures for:

    a. police and fire departments ($3.7 million);

    b. transportation costs ($787,668); or

    c. general governmental costs ($1.7 million).

44. After Moberly's first scheduled payment of $4.4 million, Moberly's average yearly payment on the Bonds for the next four years was approximately $4 million.

45. In an on-the-record statement ("OTR Statement") to the Enforcement Section, Respondent Thompson stated that it was Moberly's expectation to pay off the Bonds from the revenue that Mamtek generated.

K. Morgan Keegan's Due Diligence into Mamtek Generally

46. In his OTR statement to the Enforcement Section, Respondent Murray stated that Morgan Keegan's due diligence obligation was primarily into Moberly.

47. Moberly officials involved in the underwriting also expected Morgan Keegan to perform due diligence into Mamtek.

48. Shortly after being hired by Moberly, Respondent Morgan Keegan sent a letter to Mamtek U.S. on or about May 28, 2010 (the "Due Diligence Letter") that:

    a. described Mamtek U.S. as the "Borrower;"

    b. announced Morgan Keegan's intent to begin "conduct[ing] properly [its] due diligence review of the organization, operations, and financial condition of" Mamtek U.S.; and

c. stated that the "due diligence process is necessitated by federal and state securities laws that impose duties to disclose to potential purchasers of securities information that is material to the ability of purchasers to make an informed investment decision."

49. Respondent Morgan Keegan also sent Mamtek U.S. a document titled "Due Diligence Questionnaire and Document Request" (the "Due Diligence Questionnaire"), which Mamtek was to complete and which would be used to "support information presented in the Official Statement distributed in connection with the marketing of the Bonds."

50. Throughout the Due Diligence Questionnaire that it sent to Mamtek U.S., Respondent Morgan Keegan asked questions about Mamtek U.S.—that is, the "Borrower" on the questionnaire—and, among other things, required Mamtek U.S. provide:

a. its full legal name;

b. a list of Mamtek U.S.'s officers;

c. a list of the Mamtek U.S.'s owners; and

d. "a copy of the Borrower's application as filed with the Bond issuer," that is, the IDA (see Paragraph 16 above).

51. Mamtek returned the Due Diligence Questionnaire—fully completed with information regarding Mamtek U.S.—to Respondent Morgan Keegan.

52. In his OTR statement to the Enforcement Section, Respondent Murray stated that the Due Diligence Questionnaire "was our foundation for our due diligence."

53. Under oath, Respondent Thompson testified that Morgan Keegan relied upon the information Mamtek provided in the Due Diligence Questionnaire.

54. Although they have alleged that Moberly was the borrower and the primary focus of its due diligence obligations, Respondents Morgan Keegan, Thompson, and Murray did not send Moberly either a due diligence letter or a due diligence questionnaire.

55. Instead, on or about May 17, 2010, even before sending the Due Diligence Letter to Mamtek U.S., Respondent Morgan Keegan sent a letter to Moberly outlining the agreement between both Moberly and Morgan Keegan, which referred to Moberly only as the "Issuer," not as the "Borrower."

56. On May 20, 2010, Respondents Thompson and Murray were included on an e-mail sent by Moberly's attorney to Mamtek that stated, "As discussed by telephone, please expect a call sometime Monday afternoon from Kevin Thompson and Dick Murray of Morgan Keegan, underwriters for our Moberly IDA Bond issue, to initiate their due diligence process…"

57. On May 24, 2010, Respondent Murray sent an e-mail to Mamtek officials and Respondent Thompson stating, "We want to have a call today to introduce Morgan Keegan to Mamtek and begin the due diligence process."

58. However, in OTR statements to the Enforcement Section, Respondents Thompson and Murray stated that their role in this offering was a limited one: assisting Moberly in getting financing for the Bonds.

59. Respondents Thompson and Murray have also stated in their OTR statements to the Enforcement Section that, during the underwriting period, they relied on other Participants' due diligence into Mamtek—including Mamtek's own representations—without independently verifying those representations.

60. In his OTR statement to the Enforcement Section, Respondent Murray stated that Morgan Keegan:

    a. "did a limited amount of inquiry about who Mamtek was";

    b. "relied on a lot of people for [its] due diligence"; and

    c. "got hired in May [and] had documents from [Moberly's counsel] in two days. This deal was cooked, you know, cooked, baked, just about ready to go. So, you know, we filled in some blanks and stuff like that, but they were well on their way to this transaction."

L. Morgan Keegan's Due Diligence into Mamtek's Financial Condition

61. During the underwriting period, Respondents Morgan Keegan, Thompson, and Murray did not obtain, review, or independently verify any of Mamtek Int'l's:

    a. audited or unaudited financial statements;

    b. financial results in producing or selling sucralose; or

    c. operating history.

62. In his OTR statement to the Enforcement Section, Respondent Murray stated that he did not consider it "all that important" as to whether Mamtek Int'l—i.e., the parent company of the only Participant who "unconditionally guaranteed" payment to be used to pay the bondholders (see above Paragraph 22)—had any financial statements.

63. However, from at least July 16, 2010 to July 21, 2010, potential institutional investors were requesting more information from Morgan Keegan regarding Mamtek and its financial information.

64. On or about June 10, 2010, Mamtek represented to Morgan Keegan in its completed Due Diligence Questionnaire that Mamtek U.S. would contribute between $7 million and $8

million of Mamtek U.S.'s own equity to the sucralose facility's construction price (i.e., 24% of the $32.25 million construction price).

65. In sworn testimony, Respondents Thompson and Murray stated, among other things, that:

    a. Mamtek had represented to Morgan Keegan that Mamtek U.S. would contribute this $7 million to $8 million from private investors;

    b. although they requested it, Mamtek never provided Morgan Keegan a copy of the private placement memorandum used to raise the $7 million to $8 million; and

    c. they did not verify with an independent third party if Mamtek—whether Mamtek Int'l or Mamtek U.S.—had the financial ability to contribute the $7 million to $8 million towards the facility's construction price and, instead, relied on Mamtek's own representations.

66. Nonetheless, the Official Statement stated that:

    a. Mamtek would "provide[e] for [any] remaining costs of [the sucralose facility] from [its] own funds" (Official Statement p.28); and

    b. Morgan Keegan "reasonably believe[d]" that information to be "accurate and complete," even though Respondents had relied on, and not independently verified, Mamtek's assertions regarding its ability to contribute the $7 million to $8 million towards the facility.

67. During the underwriting period, Respondents Morgan Keegan, Thompson, and Murray did not independently verify Mamtek's ability to provide for any remaining costs of construction from Mamtek's own funds, and instead relied on Mamtek's representation regarding its ability to do so.

M. Morgan Keegan's Due Diligence into Mamtek's Ability to Produce or Sell Sucralose and its "Letters of Intent"

68. During the underwriting period, Mamtek provided Morgan Keegan financial projections regarding its ability to produce and sell sucralose.

69. In their OTR statements to the Enforcement Section, Respondents Thompson, and Murray said they did not independently verify Mamtek's ability to produce or sell sucralose as projected, relying instead upon Mamtek's representations.

70. On May 17, 2010, Respondents Thompson and Murray received a document titled "Mamtek International LTD.—Project Summary" ("Project Summary") which represented to Morgan Keegan that Mamtek had "cemented" contracts for the sale of sucralose.

71. In that same Project Summary, Mamtek also represented to Morgan Keegan that, since the start of 2010, it had "current contracts" with three companies for the purchase of Mamtek's sucralose.

72. On or about May 26, 2010, Respondent Morgan Keegan received a document titled "Mamtek U.S. Overview" which represented to Morgan Keegan that Mamtek was "continuously delivering on customer contracts."

73. In their OTR statements to the Enforcement Section, Respondents Thompson and Murray said they did not review, examine, or independently verify any of these purported contracts and, instead, relied on Mamtek's representation regarding those purported contracts.

74. During the underwriting period, Respondents Morgan Keegan, Thompson, and Murray did not independently verify whether Mamtek had any other customers or sales contracts and, instead, relied on Mamtek's representations regarding those other customers or sales contracts.

75. In the Project Summary provided to Respondent Morgan Keegan, Mamtek represented that it was "prepared to share letters of purchase from customers *covering the output from the U.S. lines*; . . . letters of reference from [Mamtek Int'l's] existing vendors; and a letter of reference from [its] bank" (emphasis added).

76. In their OTR statements to the Enforcement Section, Respondents Thompson and Murray stated they did not review, examine, or independently verify these letters of purchase or reference letters and, instead, relied on Mamtek's representations regarding such letters.

77. Finally, Mamtek represented in the Project Summary provided to Respondent Morgan Keegan that it had "letters of intent"—copies of which it did provide to Morgan Keegan—from two sucralose-using companies for the purchase of sucralose from Mamtek.

78. However, these "letters of intent" did not discuss any purchase terms or even reference an intent to enter into a contract with Mamtek, referring instead only to an "interest" in Mamtek's sucralose.

79. In their OTR statements to the Enforcement Section, Respondents Thompson, and Murray said that, despite the lack of any purchase terms or apparent purchaser intent in the "letters of intent," they did not independently verify whether those companies intended to purchase sucralose from Mamtek and, instead, relied on Mamtek's representations regarding those letters.

N. Morgan Keegan's Due Diligence into Mamtek's Claims Regarding its Patent Applications

80. During the underwriting period, Morgan Keegans's own due diligence policy manual stated that minimum due diligence in an offering underwritten by Morgan Keegan

requires an examination of "business protection devices and related data such as trademarks, patents, copyrights . . . among others" (Morgan Keegan Due Diligence Policy Manual § V.A.b.(12)).

81. Despite this policy, Morgan Keegan did not request or obtain a copy of Mamtek's purported patents or patent applications.

82. On or about May 26, 2010, Mamtek represented to Respondent Morgan Keegan in an e-mail attachment that the USPTO had issued "favorable guidance" as to its pending patent applications "advising that first patents will be granted within months."

83. However, in November 2008, the USPTO had already issued its first rejection of the patent application that the Pellegrino Report labeled "the most important of all the patent applications in [Mamtek's] portfolio" (see above Paragraph 31).

84. And, on May 19, 2010 (i.e., one week before Mamtek's "favorable-guidance" representation to Morgan Keegan), the USPTO issued a *final* rejection of that same patent application, i.e., the application describing Mamtek's method for creating sucralose.

85. During the underwriting period, the USPTO's publically-accessible website reflected this final rejection of what the Pellegrino Report called "the most important of all the patent applications in [Mamtek's] portfolio" (Pellegrino Report p.8).

86. During the underwriting period, Respondents Morgan Keegan, Thompson, or Murray did not attempt to contact the USPTO regarding Mamtek's purported patents or patent applications.

87. On June 17, 2010, Respondents Morgan Keegan, Thompson, and Murray received an e-mail that, among other things, contained a warning from Pellegrino & Associates regarding the Backstop, stating "[t]here is still risk associated with [Mamtek's intellectual property] as there no [*sic*] patents have yet issued; thus, it is possible that any resulting patents may not have much value in the market because of possible design-around risk . . . ."

88. In their OTR Statements to the Enforcement Section, Respondents Thompson and Murray stated that they never researched, independently verified, or verified with an independent third party Mamtek's patent applications or those applications' pending status with the USPTO.

89. In their OTR Statements to the Enforcement Section, Respondents Thompson and Murray stated that Morgan Keegan relied on Mamtek's own representations regarding its patent applications.

90. Respondent Morgan Keegan also relied on Moberly's representations to Morgan Keegan regarding Mamtek's patent applications without researching, independently verifying, or verifying with an independent third party those representations.

O. Morgan Keegans's Due Diligence into Mamtek's Purported Facility in Fujian Province, China

91. During the underwriting period, Mamtek represented to Morgan Keegan that Mamtek operated a fully-functional sucralose production facility in Fujian Province, China.

92. In his OTR Statement to the Enforcement Section, Respondent Murray said "of course" Morgan Keegan could have asked its underwriting counsel—which, at the time, had an office in Shanghai, China—to verify Mamtek's claims regarding Mamtek's purported factory.

93. In his OTR Statement to the Enforcement Section, Respondent Murray stated he did not do so because "that didn't have a lot of bearing on the City of Moberly and the bonds we were underwriting for the City of Moberly," and instead relied on Mamtek's representation regarding the Fujian Province factory.

94. In May 2010, Respondent Morgan Keegan's underwriting counsel in their Shanghai, China office had already searched for, and been unable to find, Mamtek's purported factory.

95. Morgan Keegan's underwriting counsel discovered that:

    a. in 2007, Mamtek Int'l had agreed with a local government in Fujian Province, China, for the local government to pay for a sucralose-producing factory that Mamtek Int'l would operate and initially rent from the local government;

    b. Mamtek's Fujian Province factory never started production; and

    c. due to environmental concerns, Mamtek Int'l agreed with the local government to move out of the factory.

P. The Presentation to Standard & Poor's ("S&P")

96. In its engagement letter to Moberly, Morgan Keegan agreed to assist Moberly in making a "rating agency presentation."

97. On May 26, 2010, Respondent Thompson e-mailed a Morgan Keegan analyst regarding the Bond offering and stated, "We'll need to put a rating agency and assured g package together. Would be nice to have a powerpoint pres that lays out the project, city approp, city financials, economics, and debt. More focus on the city, then the project and the backstop w the company (ip and trade secrets in escrow)."

98. On June 17, 2010, Respondents Thompson or Murray received an e-mail chain containing the Pellegrino Report's preliminary results from its valuation of the Backstop, noting:

    a. the Pellegrino Report's initial valuations of the Backstop; and

b. that, "there is still risk associated with the IP as there no patents have yet issued…it is possible that any resulting patents may not have much value in the market because of possible design-around risk…"

99. During the underwriting period, Morgan Keegan assisted Moberly in assembling a presentation to S&P.

100. During the underwriting period, Morgan Keegan told Moberly officials that Morgan Keegan would resign from the offering if, after the presentation, S&P rated the Bonds at less than an "A."

101. On or about June 17, 2010, Moberly made its presentation regarding the Bonds' offering to S&P, with Morgan Keegan representatives—including Respondents Thompson and Murray—included on the conference call.

102. Among other things, the S&P presentation:

a. stated that Moberly had "put in place several protections to mitigate the potential use of its appropriation credit" including an "escrow containing intellectual property [that] [h]olds patent and trade secrets"; but

b. did not include:

i. any financial information regarding Mamtek Int'l or Mamtek U.S.; or

ii. any of the Pellegrino Report's warnings regarding the Backstop as listed in Paragraphs 30 and 31 above.

103. Morgan Keegan never provided the Pellegrino Report to S&P, nor was it included in the S&P presentation.

104. On June 28, 2010, S&P rated the Bonds at A-.

105. Morgan Keegan paid S&P $23,000 for its services.

Q. Morgan Keegans's Offers & Sales of the Bonds in the State of Missouri

106. On July 14, 2010, the managing director of Morgan Keegan's Municipal Department sent an internal e-mail to a Morgan Keegan agent stating, among other things, that:

a. Respondent Thompson had said "in a meeting . . . that this deal is a normal appropriation deal and it is not";

b. Thompson had "portray[ed] the deal as a deal where we and our customers ought to be looking at [Moberly] and not Mamtek so we received very little verbal information about the financial condition of [Mamtek];" and

c. "if I dig too much, [other Morgan Keegan agents] want to take the deal private placement."

107. During the underwriting period, Morgan Keegan and certain of its agents contacted potential institutional investors to evaluate their interest in the Bonds and to determine a price at which to sell the Bonds.

108. On July 20, 2010, Respondents Thompson and Murray received internal e-mails from Morgan Keegan's Municipal Department explaining that many potential institutional investors, among other things:

a. did not view the deal as an appropriation deal;

b. wanted more information about Mamtek and Mamtek's contracts; and

c. had declined to purchase the Bonds because of the lack of information on Mamtek.

109. Before July 22, 2010, Respondent Morgan Keegan planned to sell the Bonds only to retail investors that signed a "suitability letter," that is, a letter containing a warning as to the Bonds' high-risk and the investor's understanding of that risk.

110. However, after institutional investors were declining to purchase the Bonds for the reasons mentioned in Paragraph 110, Morgan Keegan changed course: on July 22, 2010, that is, five days before the offering date, Morgan Keegan removed the suitability letter requirement and instructed its agents to offer the Bonds even to retail investors who had not been presented with the suitability letter's high-risk warning.

111. Also on July 22, 2010, Respondent Morgan Keegan received a copy of the Pellegrino Report, partially redacted to, among other things, obscure the name "Xibo" in places.

112. On July 27, 2010, Respondent Morgan Keegan purchased all the Bonds from the IDA in order to resell the Bonds to Morgan Keegan's institutional and retail clients.

113. In an effort to solicit sales of the Bonds, Respondent Edwards has stated that he made the following statements, among others, to his Morgan Keegan clients:

a. that the sucralose facility was being "operated by a Chinese company intending to build a sucralose plant";

b. that S&P had rated the Bonds as "A-";

c. that the Bonds were "secured by patents on the processing of sucralose"; and

d. that Moberly "gave [its] word that if the revenues didn't come in from Mamtek, that [Moberly] would make the interest payments and the principal payments."

Missouri Resident 1

114. On or about July 28, 2010, Respondent Edwards made contact with a St. Louis, Missouri resident ("MR1") regarding the Bonds.

115. On July 28, 2010, Respondents Edwards and Morgan Keegan sold the Bonds to MR1 in the principal amount of $100,000.

116. According to Morgan Keegan records, MR1 was 75 years old on the date MR1 purchased the Bonds.

Missouri Resident 2

117. On July 28, 2010, Respondents Edwards and Morgan Keegan sold the Bonds to a St. Louis, Missouri resident ("MR2") in the principal amount of $100,000.

118. According to Morgan Keegan records, MR2 was 87 years old on the date MR2 purchased the Bonds.

Missouri Resident 3

119. Sometime prior to July 28, 2010, Respondent Edwards made contact with a Clayton, Missouri resident ("MR3") concerning the purchase of the Bonds.

120. On July 28, 2010, Respondents Edwards and Morgan Keegan sold the Bonds to MR3 in the principal amount of $100,000.

121. According to Morgan Keegan records, MR3 was 85 years old on the date MR3 purchased the Bonds.

Missouri Resident 4

122. Sometime prior to October 26, 2010, Respondent Edwards made contact with a Chesterfield, Missouri resident ("MR4") regarding the Bonds.

123. On October 26, 2010, Respondents Edwards and Morgan Keegan sold the Bonds to MR4 in the principal amount of $5,106.60.

124. According to Morgan Keegan records, MR4 was 79 years old on the date MR4 purchased the Bonds.

Other Investors

125. Between July 23, 2010, and November 4, 2010, Morgan Keegan made the Bonds available for sale and sold Bonds totaling approximately $6,645,000 in principal to approximately 33 Missouri investors, including MR1, MR2, MR3 and MR4.

126. In addition to Bonds sold by Respondents Morgan Keegan or Edwards to Missouri investors, Respondent Morgan Keegan sold Bonds totaling approximately $34,550,000 in principal to approximately 102 investors outside of Missouri.

R. The Official Statement

127. Morgan Keegan assembled the Official Statement, which was made publically available on or about July 26, 2010.

128. During the underwriting period, Morgan Keegan's fixed-income due diligence policies required that a final official statement in any municipal bond offering underwritten by Morgan Keegan contain "[i]nformation, including financial information or operating data concerning the issuer and *other entities, enterprises, funds, accounts and other persons material to an evaluation of the issue*." (Fixed Income Dept. Manual §II.A.5.a)

129. Consistent with this due diligence policy, Morgan Keegans's Due Diligence Letter (see Paragraph 48 above) informed Mamtek U.S. that, in order to comply with the securities laws and provide investors with material disclosures, the Official Statement would include:

    a. descriptions of the management of, among other things, the construction and equipping of the sucralose facility; and

    b. Mamtek U.S.'s "revenues, expenses, and financial condition."

130. However, despite Morgan Keegan's due diligence policy and its Due Diligence Letter, the Official Statement did not contain:

    a. any financial information or operating data—such as "revenues, expenses, and financial condition"—for either Mamtek Int'l or Mamtek U.S.; or

    b. a description of the management of, among other things, the construction and equipping of the sucralose facility.

131. Noting that "Mamtek" referred to both Mamtek Int'l *and* Mamtek U.S., the Official Statement stated that "Mamtek was launched five years ago," although Mamtek U.S. had only been incorporated on May 17, 2010 (Official Statement p. 10).

132. In his OTR Statement to the Enforcement Section, Respondent Murray said that "[w]hatever is in the official statement is what was said" to the Bonds' offerees and purchasers.

133. The Official Statement did not disclose:

    a. Mamtek Int'l or Mamtek U.S.'s financial information;

    b. Mamtek Int'l or Mamtek U.S.'s financial results in producing or selling sucralose;

c. information regarding Mamtek Int'l or Mamtek U.S.'s officers, directors, or employees;

d. that Mamtek U.S.—that is, the company that was to operate the sucralose facility and that had "unconditionally guaranteed" the payments (see Paragraph 22 above)—was a start-up entity with no operating history;

e. that Mamtek U.S. was incorporated approximately three months prior to the Official Statement's date;

f. that Morgan Keegan, as the Bonds' underwriter, had relied on and not independently verified Mamtek's representations regarding Mamtek's:

i. purported sucralose facility in China;

ii. financial condition;

iii. ability to financially contribute to the facility's construction; or

iv. ability to produce or sell sucralose;

g. that the USPTO had already issued a final rejection of the Backstop's most valuable intellectual property component;

h. the potentially-impaired value of the Backstop due to the lack of any existing patents on the sucralose-producing technology, as noted in the Pellegrino Report;

i. the potentially-impaired value of the Backstop due to the lack of a minimum purchase amount on the Xibo Contract, as noted in the Pellegrino Report;

j. the potentially-impaired value of the Backstop due to Mamtek's single-customer risk with Xibo, as noted in the Pellegrino Report; or

k. the potentially-impaired value of the Backstop due to the USPTO's final rejection of the Backstop's most valuable intellectual-property component.

134. The Official Statement did not disclose a bondholder's risks from:

a. the potentially-impaired value of the Backstop due to the lack of any existing patents on the sucralose-producing technology, as noted in the Pellegrino Report;

b. the potentially-impaired value of the Backstop due to the lack of a minimum purchase amount on the Xibo Contract, as noted in the Pellegrino Report;

c. the potentially-impaired value of the Backstop due to Mamtek's single-customer risk with Xibo, as noted in the Pellegrino Report;

d. the potentially-impaired value of the Backstop due to the USPTO's final rejection of the Backstop's most valuable intellectual-property component;

e. Mamtek U.S.'s nature as a start-up entity with no operational history;

f. Morgan Keegan's lack of independent or third-party verification—or inability to make such a verification—of Mamtek's claims regarding its:

i. purported sucralose facility in China;

ii. financial condition;

iii. ability to produce or sell sucralose; or

iv. ability to provide $7 million to $8 million towards the facility's construction price;

g. Moberly's reliance on Mamtek, a start-up company, with no operational history and whose parent company had not provided Morgan Keegan any evidence of Mamtek's financial condition or financial results in producing or selling sucralose;

h. delays or difficulties from having to successfully attract another sucralose producer or purchaser of the site—or the inability to attract such an entity—if Mamtek U.S. could not complete or operate the facility; or

i. Moberly's limited financial ability to repay the Bonds if Mamtek did not satisfy its obligations under the Agreements.

S. Morgan Keegan or Edwards' Omitted Statements when Offering or Selling the Bonds

135. During the underwriting period and while they were offering or selling the Bonds in the State of Missouri, Respondents Morgan Keegan or Edwards did not disclose to MR1, MR2, MR3, or MR4:

a. Mamtek Int'l or Mamtek U.S.'s financial information, such as financial statements;

b. Mamtek Int'l or Mamtek U.S.'s financial results in producing or selling sucralose;

c. information regarding Mamtek Int'l or Mamtek U.S.'s officers, directors, or employees;

d. that Mamtek U.S.—that is, the company that was to operate the sucralose facility and that had "unconditionally guaranteed" the payments (see Paragraph 22 above)—was a start-up entity with no operating history;

e. that Mamtek U.S. was incorporated approximately three months prior to the Official Statement's date;

f. that Morgan Keegan, as the Bonds' underwriter, had relied on and not independently verified Mamtek's representations regarding Mamtek's:

i. purported sucralose facility in China;

ii. financial condition;

iii. ability to provide $7 million to $8 million towards the facility's construction price; or

iv. ability to produce or sell sucralose; or

g. that the USPTO had already issued a final rejection of the Backstop's most valuable intellectual-property component.

136. During the underwriting period and while they were offering or selling the Bonds in the State of Missouri, Respondents Morgan Keegan or Edwards did not disclose to MR1, MR2, MR3, or MR4 a bondholder's risks from:

a. the potentially-impaired value of the Backstop due to the lack of any existing patents on the sucralose-producing technology, as noted in the Pellegrino Report;

b. the potentially-impaired value of the Backstop due to the lack of a minimum purchase amount on the Xibo Contract, as noted in the Pellegrino Report;

c. the potentially-impaired value of the Backstop due to Mamtek's single-customer risk with Xibo, as noted in the Pellegrino Report;

d. the potentially-impaired value of the Backstop due to the USPTO's final rejection of the Backstop's most valuable intellectual-property component;

e. Mamtek U.S.'s nature as a start-up entity with no operational history;

f. Morgan Keegan's lack of independent or third-party verification—or inability to make such a verification—of Mamtek's claims regarding its:

i. purported sucralose facility in China;

ii. financial condition;

iii. ability to produce or sell sucralose; or

iv. ability to provide $7 million to $8 million towards the facility's construction price;

g. Moberly's reliance on Mamtek, a start-up company, with no operational history and whose parent company had not provided Morgan Keegan any evidence of Mamtek's financial condition or financial results in producing or selling sucralose;

h. delays or difficulties from having to successfully attract another sucralose producer or purchaser of the site—or the inability to attract such an entity—if Mamtek U.S. could not complete or operate the facility; or

i. Moberly's limited financial ability to repay the Bonds if Mamtek did not satisfy its obligations under the Agreements.

T. Mamtek Defaults on its Obligations under the Agreements

137. In late July 2010, construction began on the sucralose facility and continued over the next year.

138. During that period, Mamtek's representatives frequently changed the facility's plans or specifications, thus hindering the construction timeline.

139. On or about August 1, 2011, Mamtek did not make its first $3.2 million required payment to Moberly and, accordingly, Moberly did not make its required mid-August payment to the trustee appointed for the bondholders by the Agreements.

140. Under the authority in the Agreements, the trustee drew upon the Bonds' debt service reserve fund to make the first scheduled payment to the bondholders.

141. In September 2011, Mamtek abandoned the facility, having never produced any sucralose.

142. On September 6, 2011, the Moberly city council voted not to appropriate funds to make the payments on the Bonds.

143. To date, the sucralose facility has not been completed and there is no ongoing construction and no estimated completion date.

144. Mamtek U.S. is now in bankruptcy proceedings.

145. In late July 2012, the trustee announced that, after unsuccessfully attempting to find another sucralose producer, it was going to auction the facility's property outright and use those proceeds to pay back bondholders.

146. On October 24, 2012, an auction was held and raised approximately $2 million from the sale of the facility's property to pay back bondholders.

147. On September 18, 2012, the attorney general and the prosecuting attorney for Randolph County in the State of Missouri filed criminal charges against Bruce Cole, the former

chief executive officer for Mamtek U.S., accusing him of violating Missouri's criminal and securities laws in connection with the Bonds' offering.

148. On that same date, the SEC filed suit in Federal court against Cole—and, as a relief defendant, his wife—for Cole's alleged violations of the Federal securities laws in connection with the Bonds' offering.

149. Effective March 22, 2012, the Bonds' long-term rating was lowered to a "D."

150. Moberly's issuer credit rating has since been downgraded from "A" to "B".

151. For Morgan Keegan's underwriting and selling role in Bonds' offering, Morgan Keegan realized a profit of approximately $2.5 million, most of which came from the bondholders' purchases of the Bonds.

II. COMMISSIONER'S DETERMINATION AND FINDING

152. The **COMMISSIONER DETERMINES** that Respondents Morgan Keegan and Edwards violated section 409.5-501(2) when, in the State of Missouri and in connection with the offer, sale, or purchase of a security to MR1, MR2, MR3, or MR4, they made an untrue statement of a material fact when they stated to MR1, MR2, MR3, or MR4 that

a. Moberly had given its word to set aside principal and the interest to pay the bondholders if the revenues did not come in from Mamtek, which was untrue; and

b. that the Bonds were "secured by patents on the processing of sucralose," when, in fact, there were no patents securing the Bonds.

153. The **COMMISSIONER FURTHER DETERMINES** that Respondents Morgan Keegan and Edwards violated section 409.5-501(2) when, in the State of Missouri and in connection with the offer, sale, or purchase of the Bonds to MR1, MR2, MR3, or MR4, Morgan Keegan and Edwards omitted to state a material fact necessary in order to make other statements, in light of the circumstances under which they were made, not misleading when they stated to MR1, MR2, MR3, or MR4 that Mamtek would be operating and building the sucralose facility, which, in light of the circumstances under which it was made, became a misleading statement when those respondents also omitted to state (1) that Morgan Keegan had relied upon Mamtek for the claims below and (2) a bondholder's risks from Morgan Keegan not independently verifying or verifying with an independent third party Mamtek's claims regarding its:

a. purported sucralose facility in China;

b. financial condition; or

c. ability to provide $7 million to $8 million towards the facility's construction price.

154. The **COMMISSIONER FURTHER DETERMINES** that Respondents Morgan Keegan and Edwards violated section 409.5-501(2) when, in the State of Missouri and in connection with the offer, sale, or purchase of the Bonds to MR1, MR2, MR3, or MR4, Morgan Keegan and Edwards omitted to state a material fact necessary in order to make other statements, in light of the circumstances under which they were made, not misleading when they stated to MR1, MR2, MR3, or MR4 that Mamtek would be operating and building the sucralose facility, which, in light of the circumstances under which it was made, became a misleading statement when those respondents also omitted to state a bondholder's risks from Morgan Keegan not independently verifying or verifying with an independent third party Mamtek's claims regarding its:

a. Purported sucralose facility in China;

b. financial condition; or

c. ability to provide $7 million to $8 million towards the facility's construction price.

155. The **COMMISSIONER FURTHER DETERMINES** that Respondents Morgan Keegan and Edwards violated section 409.5-501(2) when, in the State of Missouri and in connection with the offer, sale, or purchase of the Bonds to MR1, MR2, MR3, or MR4, they omitted to state a material fact necessary in order to make other statements, in light of the circumstances under which they were made, not misleading when those respondents stated to MR1, MR2, MR3, or MR4 that the Bonds were secured by Mamtek's patents, which, in light of the circumstances under which it was made, became a misleading statement when Respondents Morgan Keegan or Edwards also omitted to state a bondholder's risks from the potentially-impaired value of the Backstop due to:

a. the lack of any existing patents on the sucralose-producing technology; and

b. the USPTO's final rejection of the Backstop's most valuable intellectual-property component.

156. The **COMMISSIONER FURTHER DETERMINES** that Respondents Morgan Keegan and Edwards violated section 409.5-501(2) when, in the State of Missouri and in connection with the offer, sale, or purchase of the Bonds to MR1, MR2, MR3, or MR4, those respondents omitted to state a material fact necessary in order to make other statements, in light of the circumstances under which they were made, not misleading when they stated to MR1, MR2, MR3, or MR4 that the sucralose facility was going to be built and operated by a Chinese company, which, in light of the circumstances under which it was made, became a misleading statement when Respondents Morgan Keegan or Edwards also omitted to state the following facts, i.e., that:

a. Mamtek U.S. is not a Chinese company;

b. Mamtek U.S. was only incorporated approximately three months before the Official Statement's date; or

c. Mamtek U.S. was a start-up entity with no operational history.

157. The **COMMISSIONER FURTHER DETERMINES** that Respondents Morgan Keegan and Edwards violated section 409.5-501(2) when, in the State of Missouri and in connection with the offer, sale, or purchase of the Bonds to MR1, MR2, MR3, or MR4, those respondents omitted to state a material fact necessary in order to make other statements, in light of the circumstances under which they were made, not misleading when they stated to MR1, MR2, MR3, or MR4 that the sucralose facility was going to be built and operated by a Chinese company, which, in light of the circumstances under which it was made, became a misleading statement when Respondents Morgan Keegan or Edwards also omitted to state the following facts and a bondholder's risks from those facts, i.e., that:

a. Mamtek U.S. is not a Chinese company;

b. Mamtek U.S. was only incorporated approximately three months before the Official Statement's date; or

c. Mamtek U.S. was a start-up entity with no operational history.

158. The **COMMISSIONER FURTHER DETERMINES** that Respondents Morgan Keegan and Edwards violated section 409.5-501(2) when, in the State of Missouri and in connection with the offer, sale, or purchase of the Bonds to MR1, MR2, MR3, or MR4, those respondents omitted to state a material fact necessary in order to make other statements, in light of the circumstances under which they were made, not misleading when Respondents Morgan Keegan or Edwards stated to MR1, MR2, MR3, or MR4 that Mamtek was going to build and operate the sucralose facility which, in light of the circumstances under which it was made, became a misleading statement when those respondents also omitted to state the following material facts:

a. Mamtek Int'l or Mamtek U.S.'s financial information;

b. Mamtek Int'l or Mamtek U.S.'s financial results in producing or selling sucralose; or

c. Mamtek Int'l or Mamtek U.S.'s officers, directors, or employees.

159. The **COMMISSIONER FURTHER DETERMINES** that Respondents Morgan Keegan and Edwards violated section 409.5-501(2) when, in the State of Missouri and in connection with the offer, sale, or purchase of the Bonds to MR1, MR2, MR3, or MR4, those respondents omitted to state a material fact necessary in order to make other statements, in light of the circumstances under which they were made, not misleading when Respondents Morgan Keegan or Edwards stated to MR1, MR2, MR3, or MR4 that

S&P had rated the Bonds at A- and that Moberly had "given its word" to pay back the Bonds, which, in light of the circumstances under which they were made, became misleading statements when those respondents also omitted to state that Moberly:

a. had limited financial ability to repay the Bonds if Mamtek did not satisfy its obligations under the Agreements; and

b. was not legally obligated to appropriate any funds to pay back the Bonds if Mamtek did not satisfy its obligations under the Agreements.

160. The **COMMISSIONER FURTHER DETERMINES** that Respondents Morgan Keegan and Edwards violated section 409.5-501(3) when, in connection with the offer, sale, or purchase of a security in the State of Missouri, they engaged in an act, practice, or course of business that operated or would operate as a fraud when those respondents offered or sold the Bonds in Missouri to MR1, MR2, MR3, or MR4 when Morgan Keegan or Edwards, as the underwriter and its agent respectively, promoted the Bonds based on S&P's rating and Moberly's alleged promise to pay if revenues did not come in from Mamtek even though:

a. Morgan Keegan had not independently verified Mamtek's ability to make the payments required under the Agreements;

b. Mamtek was the only party whose obligation to make those payments was "absolute and unconditional" under the Agreements; and

c. Moberly was, in reality, relying upon Mamtek to make the payments necessary to pay back the Bonds.

161. The **COMMISSIONER FURTHER DETERMINES** that Respondents Morgan Keegan, Thompson, and Murray violated section 409.5-501(3) when, in connection with the offer, sale, or purchase of a security in the State of Missouri, they engaged in an act, practice, or course of business that operated or would operate as a fraud or deceit upon another person when, as the underwriter of the Bonds, Respondents Morgan Keegan, Thompson, and Murray offered, sold, or promoted the Bonds in Missouri while assembling or using an official statement that did not disclose:

a. Mamtek Int'l or Mamtek U.S.'s financial information;

b. Mamtek Int'l or Mamtek U.S.'s financial results in producing or selling sucralose;

c. information regarding Mamtek Int'l or Mamtek U.S.'s officers, directors, or employees;

d. that Mamtek U.S.—that is, the company that was to operate the sucralose facility and that had "unconditionally guaranteed" the payments (see Paragraph 22 above)—was a start-up entity with no operating history;

e. that Mamtek U.S. was incorporated approximately three months prior to the Official Statement's date;

f. that Morgan Keegan, as the Bonds' underwriter, had relied on and not independently verified Mamtek's representations regarding Mamtek's:

i. purported sucralose facility in China;

ii. financial condition; or

iii. ability to contribute financially to the facility's construction; or

iv. ability to produce or sell sucralose;

g. that the USPTO had already issued a final rejection of the Backstop's most valuable intellectual-property component;

h. the potentially-impaired value of the Backstop due to the lack of any existing patents on the sucralose-producing technology, as noted in the Pellegrino Report;

i. the potentially-impaired value of the Backstop due to the lack of a minimum purchase amount on the Xibo Contract, as noted in the Pellegrino Report;

j. the potentially-impaired value of the Backstop due to Mamtek's single-customer risk with Xibo, as noted in the Pellegrino Report; or

k. the potentially-impaired value of the Backstop due to the USPTO's final rejection of the Backstop's most valuable intellectual-property component.

162. The **COMMISSIONER FURTHER DETERMINES** that Respondents Morgan Keegan, Thompson, and Murray violated section 409.5-501(3) when, in connection with the offer, sale, or purchase of a security in the State of Missouri, they engaged in an act, practice, or course of business that operated or would operate as a fraud or deceit upon another person when, as the underwriter of the Bonds, they sold, or promoted the Bonds in Missouri while assembling or using an official statement that did not disclose a bondholder's risks from:

a. the potentially-impaired value of the Backstop due to the lack of any existing patents on the sucralose-producing technology, as noted in the Pellegrino Report;

b. the potentially-impaired value of the Backstop due to the lack of a minimum purchase amount on the Xibo Contract, as noted in the Pellegrino Report;

c. the potentially-impaired value of the Backstop due to Mamtek's single-customer risk with Xibo, as noted in the Pellegrino Report;

d. the potentially-impaired value of the Backstop due to the USPTO's final rejection of the Backstop's most valuable intellectual-property component;

e. Mamtek U.S.'s nature as a start-up entity with no operational history;

f. Morgan Keegan's lack of independent or third-party verification—or inability to make such a verification—of Mamtek's claims regarding its:

i. purported sucralose facility in China;

ii. financial condition;

iii. ability to produce or sell sucralose; or

iv. ability to provide $7 million to $8 million towards the facility's construction price; or

g. Moberly's reliance on Mamtek, a start-up company, with no operational history and whose parent company had not provided Morgan Keegan any evidence of Mamtek's financial condition or financial results in producing or selling sucralose;

h. delays or difficulties from having to successfully attract another sucralose producer or purchaser of the site—or the inability to attract such an entity—if Mamtek U.S. could not complete or operate the facility; or

i. Moberly's limited financial ability to repay the Bonds if Mamtek did not satisfy its obligations under the Agreements.

163. The Commissioner finds, pursuant to Section 409.6-605(b), that the Order in Section III is necessary or appropriate in the public interest or for the protection of investors and is consistent with the purposes of the Missouri Securities Act of 2003.

III. ORDER

NOW THEREFORE, it is hereby ordered that Respondents Morgan Keegan and Edwards, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order are prohibited from violating or materially aiding in any violation of section 409.5-501 by, in connection with the offer or sale of securities, making an untrue statement of a material fact.

It is **FURTHER ORDERED** that Respondents Morgan Keegan and Edwards, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order are prohibited from violating or materially aiding in any violation of section 409.5-501 by, in connection with the offer or sale of securities, omitting to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading.

It is **FURTHER ORDERED** that Respondents Morgan Keegan and Edwards, their agents, employees and servants, and all other persons participating in or about to participate in the above-described violations with knowledge of this order are prohibited from violating or materially aiding in any violation of section 409.5-501 by, in connection with the offer or sale of securities, engaging in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

IV. STATEMENT

Pursuant to Section 409.6-604(b), RSMo. (Cum. Supp. 2011), the **COMMISSIONER HEREBY STATES** that he will determine whether to grant the Enforcement Section's requests:

(1) for civil penalties of up to ten thousand dollars ($10,000), plus an additional five thousand ($5,000) per violation pursuant to section 409.6-604(d)(3), against Respondent Morgan Keegan for multiple violations of Section 409.5-501(2), RSMo. (Cum. Supp. 2011),

(2) for civil penalties of up to five thousand dollars ($5,000), plus an additional two thousand, five hundred dollars ($2,500) per violation pursuant to section 409.6-604(d)(3), against Respondent Edwards for multiple violations of Section 409.5-501(2), RSMo. (Cum. Supp. 2011),

(3) for civil penalties of up to ten thousand dollars ($10,000), plus an additional five thousand ($5,000) per violation pursuant to section 409.6-604(d)(3), against Respondent Morgan Keegan for multiple violations of Section 409.5-501(3), RSMo. (Cum. Supp. 2011),

(4) for civil penalties of up to five thousand dollars ($5,000), plus an additional two thousand, five hundred dollars ($2,500) per violation pursuant to section 409.6-604(d)(3), against Respondent Edwards for multiple violations of Section 409.5-501(3), RSMo. (Cum. Supp. 2011),

(5) for civil penalties of up to fifty thousand dollars ($50,000) against Respondent Morgan Keegan for multiple violations of Section 409.4-412(d)(13), RSMo. (Cum. Supp. 2011),

(6) for civil penalties of up to five thousand dollars ($5,000) against Respondent Edwards for multiple violations of Section 409.4-412(d)(13), RSMo. (Cum. Supp. 2011),

(7) for civil penalties of up to forty-five thousand dollars ($45,000) against Respondent Thompson for multiple violations of Section 409.4-412(d)(13), RSMo. (Cum. Supp. 2011),

(8) for civil penalties of up to forty-five thousand dollars ($45,000) against Respondent Murray for multiple violations of Section 409.4-412(d)(13), RSMo. (Cum. Supp. 2011),

(9) for restitution from Respondent Morgan Keegan for any loss, possibly to include the amount of any actual damages that may have been caused by Respondents' violations of sections 409.5-501(2) and 409.5-501(3) , RSMo. (Cum. Supp. 2011), and interest at the rate of eight percent (8%) per year from the date of the violation causing the loss,

(10) for the disgorgement of any profits from Respondents Morgan Keegan, Thompson, Murray, and Edwards arising from Respondents' violations of sections 409.5-501(2) and 409.5-501(3), RSMo. (Cum. Supp. 2011), and

(11) for costs from all Respondents pursuant to Section 409.6-604(e), RSMo. (Cum. Supp. 2011)

at a hearing on the merits or, if none is requested, in a Final Order.

Pursuant to Section 409.6-604(b), RSMo. (Cum. Supp. 2011), the **COMMISSIONER FURTHER STATES** that any person subject to this order may request a hearing. Such person must make this request with Commissioner no later than 30 days from the date that the person was served with the order ("date of service"). If the Commissioner receives such a request, the hearing will be set within 15 days. If the Commissioner does not receive such a request 30 days from the date of service and no hearing is otherwise ordered, then this order becomes final by operation of law.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS FOURTH DAY OF APRIL, 2013.

JASON KANDER
SECRETARY OF STATE

Andrew M. Hartnett

ANDREW M. HARTNETT
COMMISSIONER OF SECURITIES

STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:	)	
	)	
MORGAN KEEGAN & COMPANY, INC.,	)	
CRD No. 4161;	)	
WILLIAM KEVIN THOMPSON, CRD No. 3152399;	)	Case No. AP-13-11
RICHARD TEMPLE MURRAY, JR., CRD No. 1132444;	)	
and	)	
KEVIN LEE EDWARDS, CRD No. 1616603,	)	
	)	

NOTICE

TO: Respondents and any unnamed representatives aggrieved by this Order:

You may request a hearing in this matter within thirty (30) days of the receipt of this Order pursuant to Section 409.6-604(b), RSMo. (Cum. Supp. 2011), and 15 CSR 30-55.020.

Within fifteen (15) days after receipt of a request in a record from a person or persons subject to this order, the Commissioner will schedule this matter for a hearing.

A request for a hearing must be mailed or delivered, in writing, to:

Andrew M. Hartnett, Commissioner of Securities
Office of the Secretary of State, Missouri
600 West Main Street, Room 229
Jefferson City, Missouri, 65102.

CERTIFICATE OF SERVICE

I hereby certify that on this 4th day of April, 2013, a copy of the foregoing **Order to Cease and Desist and to Show Cause Why Restitution, Civil Penalties, Costs, and Other Relief Should Not Be Imposed** and, pursuant to Section 536.0677(2), RSMo., a copy of the **Petition for an Order to Cease and Desist and to Show Cause Why Restitution, Civil Penalties, Costs, and Other Relief Should Not Be Imposed**, in the above styled case were **mailed by Certified U.S. mail to:**

Charles W. Hatfield
Stinson Morrison Hecker, LLP
230 West McCarty Street
Jefferson City, Missouri
ATTORNEY FOR RESPONDENTS
MORGAN KEEGAN & COMPANY, INC.;
WILLIAM KEVIN THOMPOSON;
RICHARD TEMPLE MURRAY, JR.; and
KEVIN LEE EDWARDS

and by regular U.S. mail, courtesy copies to:

Ben Suter
Keesal, Young & Logan
450 Pacific Avenue
San Francisco, California 64133

and,

Allison S. Crone
Morgan Keegan & Company, Inc.
Fifty North Front Street
Memphis, Tennessee 38103

and by hand delivery to:

Patrick Morgan
Chief Counsel
Missouri Securities Division

John Hale, Specialist