

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 9226 / June 22, 2011

ADMINISTRATIVE PROCEEDING
File No. 3-13847

In the Matter of

MORGAN ASSET MANAGEMENT,
INC.; MORGAN KEEGAN &
COMPANY, INC.;
JAMES C. KELSOE, JR.; and
JOSEPH THOMPSON WELLER,
CPA,

Respondents.

ORDER UNDER RULE 602(e) OF THE
SECURITIES ACT OF 1933 GRANTING
A WAIVER OF THE RULE 602(c)(3)
DISQUALIFICATION PROVISION

I.

Respondents Morgan Asset Management, Inc. (“Morgan Asset”) and Morgan Keegan & Company, Inc. (“Morgan Keegan”) (collectively “Respondents”) have submitted a letter, dated June 3, 2011, requesting a waiver of the Rule 602(c)(3) disqualification from the exemption from registration under Regulation E arising from Respondents’ settlement of an administrative proceeding commenced by the Commission.

II.

On June 22, 2011, pursuant to Respondents’ Offer of Settlement, the Commission issued an Order Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order Pursuant to Section 15(b) of the Securities Exchange Act of 1934, Sections 203(e), 203(f) and 203(k) of the Investment Advisers Act of 1940, and Sections 9(b) And 9(f) of the Investment Company Act of 1940, and Imposing Suspension Pursuant to Section 4C of the Securities Exchange Act of 1934 and Rule 102(e)(1)(iii) of the Commission’s Rules of Practice.

Under the Order, the Commission found that: (i) Morgan Asset and Morgan Keegan engaged in conduct which caused the mispricing of fair-valued securities in the portfolios of five registered investment companies (“the Funds”) managed by Morgan Asset, a registered investment adviser; (ii) Morgan Keegan, a registered broker-dealer and investment adviser, was the distributor of the Funds’ shares and priced each portfolio’s securities and calculated its daily net asset value (“NAV”) through its Fund Accounting Department; (iii) between at least January 2007 and July 2007, the NAV of each of the Funds was fraudulently inflated as a result of the willful misconduct of the Funds’ portfolio manager, an employee of Morgan Asset; and (iv) Morgan Keegan employees assigned values to portfolio securities at the direction of the portfolio manager and otherwise failed to employ the fair valuation policies and procedures adopted by the Funds’ Boards of Directors.

In the Order, the Commission, with regard to Morgan Asset and Morgan Keegan, (i) ordered Morgan Asset to cease and desist from committing or causing any violations and any future violations of Sections 206(1), 206(2) and 206(4) of the Investment Advisers Act of 1940 (“Advisers Act”) and Rule 206(4)-7 thereunder, and Section 34(b) of the Investment Company Act of 1940 (“Investment Company Act”) and Rules 22c-1 and 38a-1 promulgated under the Investment Company Act; (ii) ordered Morgan Keegan to cease and desist from committing or causing any violations and any future violations of Section 34(b) of the Investment Company Act and Rules 22c-1 and 38a-1 promulgated under the Investment Company Act; (iii) ordered Morgan Asset and Morgan Keegan, jointly and severally, within 10 days of the entry of the Order, to pay disgorgement of \$20,500,000, prejudgment interest of \$4,500,000 and a civil money penalty in the amount of \$75,000,000 to the Commission; (iv) censured Morgan Asset and Morgan Keegan; (v) ordered Morgan Asset and Morgan Keegan to comply with certain undertakings related to the valuation of portfolio securities for which market quotations are not available; and (vi) ordered Morgan Asset and Morgan Keegan to certify in writing to the staff of the Commission that they have complied with the undertakings.

The Regulation E exemption is unavailable for the securities of small business investment company issuers or business development company issuers if, among other things, any investment adviser or underwriter for the securities to be offered is subject to an order of the Commission entered pursuant to section 15(b) of the Securities Exchange Act of 1934 or Section 203(e) of the Advisers Act. 17 C.F.R. § 230.602(c)(3). Rule 602(e) provides, however, that the disqualification “. . . shall not apply . . . if the Commission determines, upon a showing of good cause, that it is not necessary under the circumstances that the exemption from registration pursuant to Regulation E be denied. 17 C.F.R. § 230.602(e).

III.

Based upon the representations set forth in Respondents’ request, the Commission has determined that pursuant to Rule 602(e) under the Securities Act a showing of good cause has been made that it is not necessary under the circumstances that the exemption be denied as a result of the Order.

Accordingly, **IT IS ORDERED**, pursuant to Rule 602(e) under the Securities Act, that a waiver from the application of the disqualification provision Rule 602(c)(3) under the Securities Act resulting from the entry of the Order is hereby granted.

By the Commission.

Elizabeth M. Murphy
Secretary