

**BEFORE THE ARKANSAS SECURITIES COMMISSIONER
CASE NO S-12-0066
ORDER NO. S-12-0066-12-OR02**

RECEIVED

12 SEP -4 AM 8:35

ARKANSAS SECURITIES DEPT.

**IN THE MATTER OF:
KEITH H. FREEMAN**

RESPONDENT

CONSENT ORDER

This Consent Order is entered pursuant to the Arkansas Securities Act, codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509 (“Act”), the Rules of the Arkansas Securities Commissioner (“Rules”) promulgated under the Act, and the Arkansas Administrative Procedures Act, codified at Ark. Code Ann. §§ 25-15-201 through 25-15-219, in accordance with an agreement by and between the Staff of the Arkansas Securities Department (“Staff”) and Keith H. Freeman (“Freeman”) in full and final settlement of all claims that could be brought against Freeman by the Staff on the basis of the facts set forth herein.

Freeman admits the jurisdiction of the Act and the Arkansas Securities Commissioner (“Commissioner”), waives his right to a formal hearing and appeal, and neither admits or denies the findings of facts made herein, consents to the entry of this order and agrees to abide by its terms in settlement of any possible violations committed by Freeman concerning the matters detailed in this order.

FINDINGS OF FACT

1. Morgan Keegan and Company, Inc. (“Morgan Keegan”), CRD number 4161, a Tennessee corporation, is a registered broker-dealer with the Arkansas Securities Department and the SEC, as well as a federally registered investment adviser with the SEC. At all relevant times Morgan Keegan was properly registered and notice-filed with the Arkansas Securities Department.

2. Freeman, CRD number 4350220, was registered as an agent of Morgan Keegan from November 14, 2006 through April 25, 2011, with the Arkansas Securities Department. In addition, Freeman was last registered with the Arkansas Securities Department as an agent of another broker-dealer from May 13, 2011 through September 15, 2011.

3. In violation of Ark. Code Ann. § 23-42-308 and Rule 308.01(E) of the Rules, and Morgan Keegan's own compliance policy, Freeman sold unsuitable securities to his clients, Arkansas residents one ("AR1"). AR1 is a married couple, who are near retirement age. In addition, AR1 are not highly experienced investors. A review of the trading history of AR1's Morgan Keegan accounts reveals a high volume of trading activity. Freeman repeatedly sold A shares of mutual or bond funds belonging to AR1 in order to purchase more A shares in either the same or similar mutual or bond funds. These sales and purchases frequently lost money for AR1 while generating commissions for Freeman.

4. In violation of Ark. Code Ann. § 23-42-308 and Rule 308.01(D) of the Rules, between February and September 2009 Freeman repeatedly sold nontraditional, leveraged or inverse Exchange Traded Funds ("ETFs") to AR1. Leveraged or inverse ETFs are complex investments that are designed for knowledgeable and aggressive investors. AR1, who are near retirement age, are not highly experienced or knowledgeable investors. In addition, AR1's account forms clearly indicate that AR1 wanted income, growth and tax advantage. AR1 never indicated that they wanted aggressive or speculative investments. Therefore, it was clearly unsuitable and reckless to sell AR1 these nontraditional, leveraged or inverse ETFs. In addition, Freeman allowed AR1 to hold positions in these ETFs for time periods of up to several months, which was much longer than these leveraged or inverse ETFs were designed to be held. Further, AR1 denies that the extended holding of these ETFs was done as part of any hedging strategy

explained to or authorized by AR1. Finally, Morgan Keegan did not have a written compliance policy or procedure concerning leveraged or inverse ETFs prior to September 2009.

5. On or about October 2009, Freeman gave AR1 unsuitable investment advice, when he advised AR1 to make an additional payment in the amount of \$30,000.00 into AR1's existing Jackson National Life annuity. Freeman failed to advise AR1 that they could not make additions to this annuity, because it had been more than one year since the original purchase of said annuity. When the additional payment was rejected by Jackson National Life, AR1 had to wait until January 2012 to get a complete refund or return of this investment money. Therefore, Freeman's unsuitable advice cost AR1 the opportunity to invest and earn interest on a portion of this money for over two years.

6. In violation of Ark. Code Ann. § 23-42-308 and Rule 308.01(O) of the Rules, and Morgan Keegan's own compliance policy, Freeman exercised discretionary authority in the sale and purchase of securities in AR1's accounts without first obtaining written authorization from AR1. AR1 trusted Freeman. AR1 allowed Freeman to implement Freeman's trading strategy and make trades in AR1's account without AR1's oral or written authorization for all of the individual trades made by Freeman. In addition, Freeman failed to obtain prior written authorization from AR1 to exercise discretionary trading authority for AR1's accounts.

APPLICABLE LAW

7. Ark. Code Ann. § 23-42-308(a)(2)(B) states that the Commissioner may by order suspend or revoke any registration if he finds that the registrant has willfully violated or willfully failed to comply with any provision of this chapter or a predecessor act or any rule or order under this chapter or a predecessor act.

8. Ark. Code Ann. § 23-42-308(g) states that the commissioner may for each violation of this chapter fine any broker-dealer or agent not to exceed ten thousand dollars (\$10,000) or an amount equal to the total amount of money received in connection with each separate violation.

9. Rule 308.01(D) of the Rules states that recommending to a customer the purchase, sale or exchange of any security when a broker-dealer or agent does not have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs, or encouraging a customer to invest beyond his immediate financial resources shall be grounds for suspension or revocation of a broker-dealer or agent registration.

10. Rule 308.01(E) of the Rules states that excessive trading is defined as trading in a customer's account that is excessive in size or frequency in view of the financial resources and character of the account exclusively for the purpose of accumulating profits shall be considered grounds for suspension or revocation of a broker-dealer or agent registration.

11. Rule 308.01(O) of the Rules states that causing the execution of a transaction which is unauthorized by a customer or exercising any discretionary power in effecting a transaction for a customer's account without first obtaining written discretionary authority from the customer shall be considered grounds for suspension or revocation of a broker-dealer or agent registration.

CONCLUSIONS OF LAW

12. Freeman violated Ark. Code Ann. § 23-42-308 and Rule 308.01(D) of the Rules, when Freeman sold unsuitable securities to AR1 as detailed in paragraphs 4 and 5.

13. Freeman violated Ark. Code Ann. § 23-42-308 and Rule 308.01(E) of the Rules, when Freeman engaged in excessive trading in AR1's accounts as detailed in paragraph 3. Therefore, the registration of Freeman should be suspended or revoked by the Commissioner.

14. Freeman violated Ark. Code Ann. § 23-42-308 and Rule 308.01(O) of the Rules, when Freeman engaged in unauthorized trading in AR1's accounts as detailed in paragraph 6.

15. The registration of Freeman should be revoked by the Commissioner pursuant to Ark. Code Ann. § 23-42-308(a)(2)(B).

16. Pursuant to Ark. Code Ann. § 23-42-308(g), the Commissioner could impose an appropriate fine against Freeman.

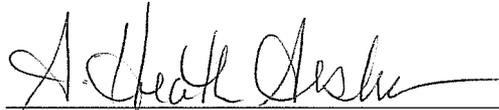
OPINION

This order is in the public interest. The facts as set out in paragraphs 3 through 6 support the violations of the Act as set out in paragraphs 12 through 14.

ORDER

IT IS THEREFORE ORDERED that the Arkansas broker-dealer agent registration of Freeman is hereby permanently revoked.

WITNESS MY HAND AND SEAL on this 4th day of September, 2012.



A. Heath Abshire
Arkansas Securities Commissioner

APPROVED AS TO CONTENT
AND FORM:



Keith Freeman, Respondent

APPROVED AS TO CONTENT
AND FORM:



Scott Freydl
Staff Attorney
Arkansas Securities Department