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Trends & Analysis
RMK Funds Have Legal Wheels Rolling

ANDY MEEK | *The Daily News*

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From: Trends & Analysis

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At the four law firms across the U.S. where attorneys are jointly investigating the recent management and performance of several Regions Morgan Keegan mutual funds, the phones ring just about every day.

Calls are coming in from investors who have lost millions of dollars in the battered funds. And attorneys with the four-firm legal team such as Ryan Bakhtiari expect to file a flurry of lawsuits soon on behalf of some of those investors.

"I would guess the (collective) losses of people we've been speaking to may be north of \$15 (million) or \$20 million right now," said Bakhtiari, a partner at Aidikoff, Uhl & Bakhtiari in Beverly Hills, Calif. "I don't know if we'll take all the cases. But I can tell you I think, right now, that we've spoken to investors who have lost somewhere in the neighborhood of \$15 (million) to \$20 million."

Values plummeting

The funds are overseen by Morgan Asset Management, a Memphis-based arm of Morgan Keegan & Co. Since the beginning of 2007, the values of at least six of the company's mutual funds have been hit especially hard because of their inclusion of assets tied to the subprime mortgage market. Once the mortgage meltdown unfolded late this summer in full force, those values plunged further still.

One of the six Regions Morgan Keegan funds that has seen the sharpest loss is the RMK Select High Income Fund. To use that fund as one example, it most recently reported assets valued at \$190 million, according to data from Chicago-based Morningstar Inc.

At the beginning of this year, the value of its assets topped \$1 billion.

"That fund's return through (Tuesday) was a loss of 56 percent," said Morningstar analyst Lawrence Jones, "which is about as bad as you're ever going to hear in the bond market."

Now, the lawyers are circling. Already, almost a dozen people have retained the four-firm team, which includes Aidikoff, Uhl & Bakhtiari; Maddox, Hargett & Caruso PC, which has offices in Indiana and New York; Page Perry LLC, of Atlanta; and David P. Meyer & Associates Co. LPA, of Columbus, Ohio.

That team is expected to file several complaints in the near future contending that, among other things, the risks associated with the various Regions Morgan Keegan funds were not fully spelled out to investors. Bakhtiari recalled one man he spoke to in the last few days who said he'd lost \$600,000 of his retirement savings in one of the funds.



NOT CHILD'S PLAY: The Indiana Children's Wish Fund filed an arbitration claim recently against one of several Regions Morgan Keegan mutual funds. -- IMAGE COURTESY OF INDIANA CHILDREN'S WISH FUND

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The funds' performance since the beginning of this year has led to several recent actions. Morgan Properties LLC, a subsidiary of Morgan Keegan, recently gave two of the funds some much-needed cash when it bought about \$55 million of securities in the RMK Select High Income Fund in the third quarter.

Morgan Properties also bought about \$30 million of securities in the Select Intermediate Bond Fund, according to Region's most recent quarterly report.

Action taken

Last month, an Indiana charity filed an arbitration claim with the Financial Industry Regulatory Authority against one of the funds. The Indiana Children's Wish Fund said in the claim it filed that the group lost about \$50,000.

Meanwhile, a federal lawsuit has been filed by two investors in Memphis, according to The Daily News Online, www.memphisdailynews.com. The lawsuit filed in U.S. District Court for the Western District of Tennessee seeks to become a class action covering investors who bought shares of the Regions Morgan Keegan Select Intermediate Bond Fund and Select High Income Fund between Dec. 6, 2004, and Oct. 3, 2007.

"It's going to take a lot for these funds to come back," Bakhtiari said. "It's going to take a miracle, in my opinion."

Jim Kelsoe, the chief fixed income investment officer of Morgan Asset Management who manages the funds in question, sounded a similar note in a recent update to shareholders.

"During my 20-year career," he wrote, "these are truly unprecedented times."

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