

Lawyers Gear Up Subprime Lawsuits

By Dave Flessner

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Chattanooga Times Free Press - Investors who lost most of the money they put into a Regions Morgan Keegan bond fund are being solicited by more than a half dozen law firms eager to try to recover losses from a class action lawsuit or arbitration proceedings.

David Meyer, a Columbus, Ohio, securities attorney, said Wednesday he is buying advertisements in Chattanooga and other markets to represent some of the major investors in RMK Multi-Sector bond funds. Such investments fell last year because the funds had invested heavily in subprime mortgages, many of which are now proving hard to collect.

Mr. Meyer said he already knows of one investor in the region who may have lost most of a \$1 million investment in a Morgan Keegan fund. He said others in the area also may have seen their mutual funds ravaged by subprime mortgage problems.

“We’re representing both retail and institutional investors, usually with at least \$50,000 invested in the fund, who may wish to pursue an individual claim against Morgan Keegan” through arbitration provisions by the Financial Industry Regulatory Authority, he said.

The appeal for arbitration cases is in addition to notices from many other law firms interested in a class action lawsuit against Morgan Keegan for its management of 10 bond funds hurt by subprime loan losses.

Jerome Broadhurst, a Memphis attorney, filed a lawsuit against Morgan Keegan in December on behalf of Memphis physician Richard A. Atkinson for losses he and his wife suffered last year.

“We contend that (Morgan Keegan) violated its own investment guidelines, which said they would not invest more than 15 percent of the fund in illiquid investments and no more than 25 percent of the investments in any one industry,” Mr. Broadhurst said.

The bond funds once had a market value of more than \$1.2 billion but have since lost most of that value, in large part, because of the funds’ heavy losses in the subprime mortgage market, Mr. Broadhurst said.

Kathy Ridley, a spokeswoman for Regions Morgan Keegan, said Wednesday the company does not comment on pending litigation.

The plaintiffs are still trying to get the lawsuit certified for class action status to allow all investors covered by any civil claim against Morgan Keegan to be included in the legal action.

The proposed class would include anyone who bought shares of the affected Morgan Keegan mutual funds from Dec. 6, 2005, to Oct. 3, 2007.

The lawsuit and arbitration actions against Morgan Keegan are the latest in a wave of litigation against those that sold and ran funds that invested heavily in subprime mortgages without alerting investors to the potential risks.

Mr. Meyer's law firm is among four that collectively are involved in trying to reclaim losses from eight investment giants (on the Web at www.subprimelosses.com).

The billions of dollars lost in hedge funds, mutual funds and bonds linked to substandard subprime loans helped swell the number of companies sued in securities fraud class action lawsuits in 2007 by 43 percent over the number in 2006, according to a study by the Cornerstone Research consulting firm.

Joe Gould, vice president at Cornerstone Research in Boston, said the number of securities lawsuits filed in the second half of 2007 reversed a four-year decline because of claims related to subprime mortgage losses.