

Morgan Keegan

On February 4, 2008, Carey & Danis, LLC filed a class action in the United States District Court for the Western District of Tennessee, *Larry F. and Charlotte C. Hartman v. Morgan Keegan & Co., Inc., et al.*, Case No. 2:08-cv-02071-SHM-dkv (W.D. Tenn.) (“*Hartman* case”), on behalf of all persons who, during the period of December 6, 2004 through November 7, 2007, purchased or otherwise acquired the shares of certain mutual funds offered by Morgan Keegan Select Fund Inc. ("MK Select"), including the Regions Morgan Keegan Select High Income Fund (the "High Income Fund") (Class A:MKHIX; Class C:RHICX; Class I:RHIIX), the Regions Morgan Keegan Select Intermediate Bond Fund (the "Intermediate Fund") (Class A:MKIBX; Class C:RIBCX; Class I:RIBIX) and the Regions Morgan Keegan Select Short Term Bond Fund (the "Short Term Fund") (Class A:MSBIX; Class C:RSTCX; Class I:MSTBX) (collectively the "Select Funds"), or shares of the RMK Multi-Sector High Income Fund, Inc. (the "RHY Fund") (RHY) (the Select Funds and the RHY Fund are collectively referred to as the "Funds"), pursuant and/or traceable to MK Select's and the RHY Fund's false and misleading Registration Statements and Prospectuses.

The complaint in the *Hartman* case charged the Funds' registrants, the Funds' administrator, Morgan Keegan & Company, Inc. ("Morgan Keegan"), the Funds' adviser, Morgan Asset Management, Inc., Regions Financial Corp. and certain of Morgan Keegan's officers and/or directors with violations of the Securities Act of 1933. The *Hartman* complaint alleges that parts of the Funds' portfolios have been invested in collateralized debt obligations ("CDOs"), including CDOs backed by sub-prime mortgages to higher-risk borrowers. For years, shares of the Funds traded within narrow ranges. Then in early March 2007, as the sub-prime crisis began to emerge, the Funds began to trend lower as the market learned of their exposure to the sub-prime market. Nonetheless, the shares of the Funds continued to trade at artificially inflated prices as the full extent of the Funds' exposure had not yet been revealed. As late as the summer of 2007, as the housing and credit crisis deepened, MK Select and the RHY Fund continued to play down and conceal the Funds' growing exposure to the problems in the sub-prime market. Beginning in early July 2007, the Funds began to acknowledge serious problems in their portfolios related to the Funds' exposure to the sub-prime market. Eventually, on November 7, 2007, Portfolio Manager James C. Kelsoe wrote a letter to investors in which he acknowledged the full extent of the problems the portfolios faced due to the deterioration in the housing sector and the sub-prime mortgage crisis.

As a result of this series of partial disclosures, the price of the Select Funds' shares collapsed. The High Income Fund Class A shares closed at \$4.53 per share on November 8, 2007, a decline of 51% from early July 2007. Likewise, the Intermediate Fund Class A shares

closed at \$5.88 per share on November 8, 2007, a decline of 38% from early July 2007. Additionally, the Short Term Fund Class A shares closed at \$8.84 per share on November 8, 2007, a decline of 12% from early August 2007. The price of the RHY Fund shares also collapsed. The RHY Fund shares closed at \$5.41 per share on November 8, 2007, a decline of 63% from early July 2007.

According to the *Hartman* complaint, the true facts which were omitted from the Registration Statements/Prospectuses were as follows: (a) the Funds lacked adequate controls and hedges to minimize the risk of loss from mortgage delinquencies which affected a large part of their portfolios; (b) the Funds' portfolios were materially misstated due to their failure to properly value CDOs; and (c) the extent of the Funds' risk exposure to mortgage-backed assets was misstated.

The *Hartman* plaintiffs sought to recover damages on behalf of all persons who purchased or otherwise acquired shares of the Select Funds and/or the RHY Fund pursuant and/or traceable to MK Select's and the RHY Fund's false and misleading Registration Statements and Prospectuses.

The filing of the first class action complaint related to this matter was announced on December 6, 2007, and was originally captioned *Richard A. Atkinson, M.D., et al. v. Morgan Asset Management, Inc., et al.*, Case No. 2:07-cv-02784-SHM-dkv (W.D. Tenn.) ("*Atkinson* case"), and the second class action related to this matter, filed on December 21, 2007, was *Elizabeth P. Willis, et al. v. Morgan Keegan & Co., Inc., et al.*, Case No. 2:07-cv-02830-SHM-dkv (W.D. Tenn.) ("*Willis* case").

On September 23, 2008, the Federal District Court for the Western District of Tennessee entered an Order consolidating the *Atkinson*, *Willis* and *Hartman* cases, brought on behalf of the shareholders in the Regions Morgan Keegan Select Short Term Bond Fund, Regions Morgan Keegan Select Intermediate Bond Fund and Regions Morgan Keegan Select High Income Fund. The District Court also ordered that the consolidated matter shall be identified as **In re Regions Morgan Keegan Open-End Mutual Fund Litigation**, Civil Action No. 2:07-cv-02784-SHM-dkv (W.D. Tenn) (the "Class Action"). Because the District Court determined that proper notice had not previously been communicated to the shareholders of the Regions Morgan Keegan Select Short Term Bond Fund, the District Court also ordered plaintiffs to republish notice concerning the Class Action.

If you purchased or acquired shares of any of the above classes of shares in the Regions Morgan Keegan Select Short Term Bond Fund, Regions Morgan Keegan Select Intermediate Bond Fund or Regions Morgan Keegan Select High Income Fund during the Class Period, and you wish to serve as Lead Plaintiff in this Class Action, you must move the Court no later than December 12, 2008, to be appointed Lead Plaintiff. Your share in any recovery will not be enhanced or diminished by your decision whether or not to serve as Lead Plaintiff.

If you wish to discuss the Class Action or have any questions concerning your rights or interests, please immediately contact Plaintiffs' counsel: John J. Carey or Michael J. Flannery of Carey & Danis, LLC at (314) 725-7700 or via e-mail at jcarey@careydanis.com or mflannery@careydanis.com. Any member of the purported class may move the Court to serve as Lead Plaintiff through counsel of their choice, or may choose to do nothing and remain an absent class member.

To view a copy of the Amended Complaint, the Court's September 23, 2008 Order, or any pleading filed in Case No. 2:07-cv-2784-SHM-dkv, you may go to the Federal Court's PACER website for the U.S. District Court for the Western District of Tennessee at www.tnwd.uscourts.gov <outbind://66/www.tnwd.uscourts.gov> and locate the Court's Docket Report for Case No. 2:07-cv-2784-SHM-dkv to access these documents. In addition, you may go to our firm's website, www.careydanis.com, to view a copy of the *Hartman* complaint, or the Court's September 23, 2008 Order.

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