

Wish fund seeks air to reclaim lost funds

Group asks authority to help recoup \$50,000 it says it lost on mutual fund

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Memphis Commercial Appeal - The Indiana Children's Wish Fund wants a securities industry group to help it get back nearly \$50,000 it claims to have lost on a Regions Morgan Keegan mutual fund.

The wish fund filed an arbitration claim against Regions Morgan Keegan Intermediate Bond Fund and a Morgan Keegan broker in Indianapolis with the Financial Industry Regulatory Authority.

The bond fund "was a completely inappropriate investment for the working capital surplus of the wish fund," said Thomas Hargett, an Indianapolis lawyer representing the fund.

"Morgan Keegan brokers pitched it as an appropriate alternative to safe investments such as a money market fund or certificate of deposit," said Hargett, who is a member of the wish fund board of directors.

In the claim asking for a hearing in Indianapolis before three arbitrators, Hargett said the agency has lost \$48,498.62, "the equivalent of 10 wishes of terminally ill children."

Most customer agreements with brokerage firms require them to take complaints to the authority for arbitration, not the courts.

The wish agency invested \$222,812.50 in the mutual fund on June 26, Hargett's complaint said. Wish fund officials told their banker from Regions Bank, who referred them to Morgan Keegan (which Regions owns), that the wish fund's major goal was preservation of capital.

After Terry Ceasar-Hudson, the agency executive director, noted a loss in its August statement, she was reassured by the broker that it would quickly recover its value, the claim said.

On Sept. 27, Hudson asked for the account to be closed, saying she believed the investment had been misrepresented.

While many bond funds are relatively low-risk investments, Hargett said in the complaint, "at best the RMK Intermediate Bond Fund was an incredibly speculative and highly volatile bet on the viability of the United States housing market and mortgages created therefrom."

The fund was one of six Regions Morgan Keegan funds that dropped sharply in value this year because of investments in the troubled subprime mortgage market and declines in the value of below investment grade -- or junk -- bonds.

According to the complaint, the intermediate bond fund had dropped 32.21 percent from the start of the year to Oct. 29.

The fund wants the arbitration panel to order Morgan Keegan to refund its losses plus 8 percent interest, to reimburse costs and to pay an unspecified amount of punitive damages.

Morgan Keegan officials had no comment on the claim Tuesday.