# Subprime mortgage losses prompt suit against Regions

## Plaintiffs say they were misinformed

**By NAOMI SNYDER**
*Staff Writer*

Investors who say they've lost more than $20 million have sued Birmingham, Ala.-based Regions Corp. and its investment firm, Morgan Keegan & Co., saying several of the firm's proprietary bond funds didn't disclose how much the funds invested in subprime mortgages.

Attorney H. Naill Falls Jr. of Nashville said his firm's lawsuit, filed last week in a Memphis federal court, is one of four there seeking class-action status. It also names the PricewaterhouseCoopers accounting firm as a defendant.

"Among the mutual funds in the U.S., there were no funds that held nearly as much of the high-risk, collateralized securities, which included mortgages, commercial loans and all sorts of bizarre things," Falls said. "These Morgan Keegan funds experienced losses in 2007 that were dramatically higher than any other funds."

A spokesman for Morgan Keegan declined to comment. Morgan Keegan is based in Memphis.

### Funds lost half of value

Plaintiffs, including James Gregory of Alabama, accused Morgan Keegan executives of misrepresenting or failing to disclose that the funds were investing the majority of their assets in "sub-prime, illiquid and untested investment structures" and that more than 25 percent of the investments were in mortgage industry securities.

Among the funds were the Advantage Income Fund, Strategic Income Fund and the High Income Fund. The funds each lost more than half of their value in 2007, according to the lawsuit. "More than $1 billion disappeared," Falls said.

Bank analyst Jeff Davis of FTN Midwest Securities said he didn't expect the lawsuits to have a material impact on Regions' profits. He said the funds had stellar results for years.

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