

Auction Rate Securities Procedures

The Auction Rate Securities Market Generally

Auction Rate Securities are municipal bonds, corporate bonds, and preferred stocks with interest rates or dividend yields that are periodically re-set through a "Dutch" auction ("Auction") process governed by a set of auction procedures. These procedures are established by the issuer of the securities and an Auction Agent. Bids with successively higher rates are accepted until all of the securities in the Auction are sold. The final rate at which all of the securities are sold is the "Clearing Rate" that applies to all of the securities in that particular Auction until the next Auction. Auction Rate Securities are auctioned at par. Thus, the return on the investment to the investor and the cost of financing to the issuer between auction dates is determined by the interest rate or dividend yield set through the Auctions.

Auction Rate Securities are usually issued with long-term maturities or in perpetuity. From an issuer's perspective, Auction Rate Securities are an alternative to variable rate financing vehicles. Institutions and individuals (collectively "Investors") participate in the Auction Rate Securities market. Typically, the minimum investment in Auction Rate Securities is \$25,000.

The Role of the Broker-Dealer in Auction Rate Securities Auctions

Auction procedures generally provide that Investors shall submit auction orders through a Broker-Dealer. Morgan Keegan & Company, Inc. ("Morgan Keegan") is appointed to serve as a Broker-Dealer in Auctions pursuant to Broker-Dealer Agreements among Morgan Keegan, the issuer of the securities, and the Auction Agents that administer the Auctions. Under these agreements, Morgan Keegan's responsibilities as Broker-Dealer generally include soliciting orders for Auctions from Investors, communicating those orders to the appropriate Auction Agent, and distributing the results of Auctions to its Investors.

I. Broker-Dealer Fees.

Morgan Keegan receives Broker-Dealer fees from the issuer based on a percentage of the principal amount of securities sold or placed through Morgan Keegan. As a result, Morgan Keegan's interests in conducting an Auction may differ from those of Investors who participate in Auctions. Morgan Keegan may share a portion of such fees with other Broker-Dealers that submit orders through Morgan Keegan that Morgan Keegan places in the Auction. Additionally, another auction dealer may share with Morgan Keegan a portion of the fees it receives from an issuer when that dealer submits orders for Morgan Keegan (on behalf of Morgan Keegan or its Investors) into auctions in which Morgan Keegan does not serve as a Dealer.

II. "Price Talk" and Other Communications.

On the morning of days when Auctions are held, Morgan Keegan generally makes available to all of its Investors its good faith judgment of the range of likely Clearing Rates for each Auction based on market and other information. This is known as "Price Talk." In determining Price Talk ranges, Morgan Keegan normally considers a variety of factors, including the winning rate for

recent comparable Auctions, the rates of comparable securities, relevant indices, and news bearing on the issuer, the industry, or financial markets generally. This Price Talk may include not only Auctions in which Morgan Keegan serves as Broker-Dealer, but also other Auctions in which it does not participate. Price Talk is not a guaranty or an assurance of the final outcome of an Auction, and Morgan Keegan's Investors are free to use it or ignore it. It is possible that a security may price outside of the Price Talk, either above it, or below it. On a daily basis, Morgan Keegan may also notify its Investors of Auction Rate Securities in its inventory that it is offering for sale at that time.

If Morgan Keegan provides Price Talk, it will make the Price Talk available through a means reasonably designed to make it available to its Investors in time to act upon it. Morgan Keegan may occasionally update and change its Price Talk based on changes in issuer credit quality or macroeconomic factors that are likely to result in a change in interest rate levels, such as an announcement by the Federal Reserve Board of a change in the Federal Funds rate or an announcement by the Bureau of Labor Statistics of unemployment numbers. Morgan Keegan will make such changes available through a means reasonably designed to make it available to all Investors that were given the original Price Talk.

Morgan Keegan personnel regularly communicate with Investors in connection with Auctions. In these communications, such personnel may not disclose the volume, level, or extent of orders in an Auction; disclose the interest rate levels where orders are being placed (either generally or specifically); disclose a specific probable winning rate or where the winning rate will likely fall within the Price Talk range; disclose any information regarding another Investor's order; promise, guarantee, or inform an Investor that the Investor's order will succeed at a given rate; or make any statement that could be interpreted as having the same effect as any of the foregoing.

III. Permissible types of Orders.

Morgan Keegan accepts three types of Investor orders in Auctions, unless specified otherwise in the relevant official statement or indenture for a particular security:

A. Hold Orders: orders from existing holders who wish to hold the amount of securities specified regardless of the winning rate;

B. Bids: (a) orders from existing holders who wish to hold the amount of securities specified only if the winning rate equals or exceeds a specified rate, or (b) orders from existing or potential holders who wish to buy a specified amount of securities at a specified rate; and

C. Sell Orders: orders from existing holders who wish to sell all or part of their holdings.

When Morgan Keegan does not receive an order from an existing holder, that Investor is "deemed" to have submitted a Hold Order.

Morgan Keegan does not accept "market" bids (that is, orders to buy a specified amount of securities that do not specify a rate) or "all-or-nothing" bids (*i.e.*, bids whereby the Investor proposes to reject an allocation smaller than the entire quantity bid) or any other type of bid that

allows the Investor to avoid auction procedures that require the pro rata allocation of securities where there are not sufficient sell orders to fill all bids at the clearing rate.

In any particular Auction, if all outstanding Auction Rate Securities are the subject of Hold Orders (an "All Hold Auction"), the Clearing Rate for the next succeeding distribution period will be the minimum rate specified in the relevant documents; this is typically a percentage of a reference rate, usually LIBOR or an index of Treasury securities. This percentage usually produces a rate which is materially below a market rate (the "All Hold Rate"). When an All Hold Auction appears likely, Morgan Keegan may, but is not obligated to, advise existing holders of that fact, or may submit its own Sell Order. This might facilitate the submission of bids by existing holders and that would avoid the occurrence of an All Hold Auction. If Morgan Keegan decides to inform existing Investors of the likelihood of an All Hold Auction, it will do so through a means reasonably designed to make the information available to all such existing Investors in time to act upon it.

IV. Bidding by Morgan Keegan.

Morgan Keegan is permitted, but not obligated, to submit orders in Auctions for its own account either as a bidder or a seller and routinely does so in its sole discretion. When bidding for its own account, Morgan Keegan may bid outside or inside the range of rates that it provides as its Price Talk. If Morgan Keegan submits an order for its own account, it likely has an advantage over other Investors because Morgan Keegan would have knowledge of some or all of the other orders placed through Morgan Keegan in that Auction, and thus could determine the rate and size of its order so as to ensure that its order is likely to be accepted in the Auction and/or the Auction is likely to clear at a particular rate. For this reason, and because Morgan Keegan is appointed and paid by the issuer to serve as a Broker-Dealer in the Auction, Morgan Keegan's interests in conducting an Auction may differ from those of existing Investors and potential Investors who participate in Auctions.

Where Morgan Keegan is the only Broker-Dealer appointed by the issuer to serve as Broker-Dealer in an Auction, it would be the only Broker-Dealer that submits orders to the Auction Agent in that Auction. As a result, in such circumstances, Morgan Keegan could discern the Clearing Rate before the orders are submitted to the Auction Agent and set the Clearing Rate with its order.

Morgan Keegan would not have knowledge of orders submitted to the Auction Agent by any unaffiliated Broker-Dealers.

A. Consequence of Morgan Keegan bidding.

1. Failed Auctions and Maximum Interest Rates.

Morgan Keegan may, in its sole discretion, place bids in an Auction to prevent a "Failed Auction". A Failed Auction is an Auction during which the Auction Agent does not receive sufficient orders at or below the maximum rate (the "Maximum Rate") to purchase all the Auction Rate Securities being sold. If this occurs, the rate on the Auction Rate Securities is set

at the Maximum Rate. The Maximum Rate is the rate specified in the relevant documents and is often a multiple of reference rates, such as LIBOR or an index of Treasury securities, or a specified percentage rate. Investors currently holding securities may be disadvantaged if there is a Failed Auction because they are not able to exit their position through the Auction. Morgan Keegan may place such bids even after obtaining knowledge of some or all of the other orders submitted through it.

2. Clearing Rate Different from Market Rates.

Morgan Keegan may, in its sole discretion, bid in Auctions to prevent Auctions from clearing at a rate that Morgan Keegan believes is different than the market for similar securities. Morgan Keegan may place such bids even after obtaining knowledge of some or all of the other orders submitted through it.

Morgan Keegan also may routinely encourage bidding by others in Auctions, to prevent a Failed Auction or an Auction from clearing at a rate that Morgan Keegan believes does not reflect the market for the Auction Rate Securities. Morgan Keegan may routinely encourage such bids even after obtaining knowledge of some or all of the other orders submitted through it.

3. Impact the Allocation of the Securities.

Morgan Keegan's bid, or its encouragement to other to bid, may displace some Investors who may have their bids rejected or receive fewer securities than they would have received if Morgan Keegan had not bid or encouraged others to bid.

B. Morgan Keegan May Choose Not To Bid.

Morgan Keegan is not obligated to continue to place bids or encourage other bidders to do so in any particular Auction to prevent an Auction from failing or clearing at a rate that Morgan Keegan believes does not reflect the market for the securities. Investors should not assume that Morgan Keegan will do so or that Failed Auctions will not occur. Investors should also be aware that bids by Morgan Keegan or by those it may encourage to place bids may cause lower auction rates to occur.

V. Submission Deadlines.

Each Auction has a formal time deadline by which all bids must be submitted by Morgan Keegan to the Auction Agent. The deadline varies by issue, but is mentioned in the specific Broker Dealer agreement, relating to a series of bonds. Generally, the submission time is either 12:00 PM, 12:30 PM, 1:00 PM, or 1:30 PM. This deadline is called the "Submission Deadline". To provide sufficient time to process and submit Investor orders to the Auction Agent before the Submission Deadline, Morgan Keegan imposes an earlier deadline, the "Internal Submission Deadline" by which Investors must submit bids to Morgan Keegan. The Internal Submission Deadline is subject to change by Morgan Keegan. Morgan Keegan may allow for correction of clerical errors after the Internal Submission Deadline and prior to the Submission Deadline. Clerical errors include, but are not limited to, transmission errors (e.g. the fax transmission does

not fax all of the pages properly, or omits pages), circumstances where the Broker-Dealer has received valid time stamped orders which were not transmitted to the Auction Agent, typographical errors, or technological errors. Morgan Keegan may submit bids for its own account at any time until the Submission Deadline.

VI. Allocation of Securities.

After obtaining the results of an Auction from the Auction Agent, Morgan Keegan allocates the securities awarded following the procedures set forth in the relevant Indenture and Broker-Dealer Agreement. Orders are typically filled in as follows:

(1) hold orders; (2) hold-at-rate and buy bids with a rate below the Clearing Rate; (3) hold-at-rate orders with a rate at the Clearing Rate; (4) and buy bids (sometimes referred to as new bids) with a rate at the Clearing Rate.

Morgan Keegan will not deviate from these procedures to the extent they call for pro rata distribution of securities to Investors whose bids were at the winning rate. If the bid of an Investor is not filled, Morgan Keegan may not sell those securities to that Investor at a discount until the following business day.

Morgan Keegan will not agree prior to the conclusion of an Auction to sell securities to an Investor at a discount. Under no circumstances will Morgan Keegan agree before an Auction to buy or sell securities to an Investor after the Auction. However, Morgan Keegan may purchase or sell Auction Rate Securities in the marketplace between Auctions. These transactions may be at a par or at a discount or premium, but must be at a market rate. Morgan Keegan has no obligation to maintain a secondary trading market in Auction Rate Securities between predetermined auction periods. There can be no assurance that a secondary market for these securities will develop or, if it does develop, that it will provide Investors the ability to resell auction securities in the secondary market on the terms or at the times desired by an Investor.

VII. No Assurances.

Morgan Keegan provides no assurance as to the outcome of any Auction. Nor does Morgan Keegan provide any assurance that any bid will be accepted or that the Auction will clear at a rate that an Investor considers acceptable. Bids may be rejected or may be only partially filled, and the rate on any Auction Rate Securities purchased or retained may be lower than the Investor expected.