

## How Your Morgan Keegan Brokerage Accounts Are Protected

### Securities Investor Protection Corporation (SIPC)

Morgan Keegan brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC), a member-supported organization created by Congress in 1970 to provide certain financial protection to clients should a brokerage firm become insolvent. Additionally, Morgan Keegan has for many years purchased supplemental protection, significantly raising the level of coverage for our clients.

### Understanding the Role of SIPC

SIPC is your first line of defense in the event of a brokerage firm failure. No fewer than 99% of eligible investors get their investments back from SIPC. When a brokerage firm is closed due to bankruptcy or other financial difficulties, the Securities Investor Protection Corporation steps in as quickly as possible and, within certain limits, works to return to you cash, stock and other securities you had at the firm.

You should also understand that SIPC is not the FDIC. The Securities Investor Protection Corporation does not offer to investors the same blanket protection that the Federal Deposit Insurance Corporation provides to bank depositors. SIPC helps individuals whose money, stocks and other securities are put at risk when a brokerage firm fails for any reason.

Morgan Keegan does offer investors an FDIC-insured deposit account option that is described further in the section titled "FDIC-Insured Deposit Account".

### What SIPC Covers and What It Does Not

The cash and securities – including stocks, bonds, notes, CDs, and money market funds – held in your accounts at Morgan Keegan are protected by SIPC up to stated limitations (\$500,000 maximum per eligible client, of which \$100,000 may be cash).

SIPC coverage does not protect against losses from market fluctuations in portfolio value. Certain investments are ineligible for SIPC protection, such as commodity and futures contracts, as well as investment contracts (such as limited partnerships) and fixed annuity contracts that are not registered with the U.S. Securities and Exchange Commission under the Securities Act of 1933.

More detailed information about the Securities Investor Protection Corporation is available online at [www.sipc.org](http://www.sipc.org), or you may request a SIPC brochure from your Morgan Keegan financial advisor.

## Morgan Keegan Provided Protections

### Net Capital Requirements

Under direction of the U.S. Securities and Exchange Commission, all registered broker-dealers are required to maintain net capital to provide financial resources so that customers will get their cash and securities back in the event the firm fails. According to the SEC, brokerage firm customers' claims for their funds and securities are senior to other claims on the broker-dealer.

### Segregation of Assets

In addition to the protections provided by SIPC and the SEC's net capital rule, the SEC requires registered broker-dealers to place client assets into accounts that are segregated from the broker-dealer's own proprietary funds and securities. The segregated assets are held in distinct accounts that prevent comingling of client assets with assets of the broker-dealer. As a result, clients are protected from potential trading losses that the firm may incur. These rules insure that there is no question of ownership of assets being held by the brokerage firm on behalf of their clients.

### Supplemental Protection Provided by Morgan Keegan

Since 2006, Morgan Keegan has provided supplemental coverage in excess of SIPC coverage obtained through Lloyd's of London, the second largest surplus line insurer in the U.S. The per account limitation of this coverage is \$124,500,000 for all Morgan Keegan accounts, subject to an overall aggregate loss limit of \$400 million.

The supplemental coverage follows the same guidelines which apply for the SIPC coverage, and is provided at no cost to you. In the unlikely event that client assets are not fully recovered and SIPC protection limits have been paid, the supplemental protection takes effect. If you maintain more than one account with Morgan Keegan in separate capacities (i.e. individually, jointly, as a trustee), each account is protected by SIPC and the excess coverage up to the client and aggregate limits set forth.

## **Stability of Dreyfus and General Money Market Funds**

Morgan Keegan provides you with several options for your available cash balances, including several registered money market funds offered through The Dreyfus Corporation. Dreyfus is a part of The Bank of New York Mellon Corporation, a global financial services company and leading provider of financial services for institutions, corporations and high-net-worth individuals. The combined organization has over \$1.1 trillion dollars in assets under management and \$23 trillion in assets under custody and administration.

- As of September 22, 2008, Dreyfus Money Market Funds had assets in excess of \$250 billion. Dreyfus Money Market assets grew 65% during 2007.
- Dreyfus Funds have actively and continuously accommodated purchases and redemptions across all institutional and retail money market funds.
- Dreyfus' first priority is the security of your money market investments and protecting the \$1.00 share price of its portfolios. Dreyfus has announced its intention to participate to the extent necessary in the U.S. Treasury Department's Temporary Guarantee Program for Money Market Funds. The new government program guarantees the \$1.00 share price to shareholders for amounts that they held in participating money market funds as of the close of business on September 19, 2008. The program will exist for an initial three month term, after which the Treasury will review the need and terms for extending the program.
- Dreyfus also intends to participate, to the extent necessary, in the Federal Reserve's program to lend to banks to meet money market mutual fund redemption demands.
- Dreyfus Money Market Funds are registered under the Investment Company Act of 1940, as are all mutual funds. As such, shares in money market funds are considered securities for purposes of SIPC protection.
- Money Market Mutual Funds are neither insured nor guaranteed by the FDIC or any other governmental agency.

## **FDIC-Insured Deposit Accounts**

Morgan Keegan brokerage clients may also select an FDIC-Insured Deposit Account as a sweep vehicle for available cash in your account. The FDIC-Insured Deposit Account is offered through Regions Bank. Assets deposited into this account are insured by the Federal Deposit Insurance Corporation (FDIC) in the same manner as other bank deposits.

FDIC protects customers against the loss of their deposits dollar-for-dollar up to the insurable limit. FDIC covers bank-held checking, NOW, savings, money market, CDs, and "self-directed" retirement accounts. The FDIC does not cover stocks, bonds, mutual funds, life-insurance policies, annuities, or municipal securities.

On October 3, 2008, FDIC deposit insurance was temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009, as part of the Emergency Economic Stabilization Act of 2008. All other limits and terms for FDIC insurance remain unchanged. Additional information is available at [www.fdic.gov](http://www.fdic.gov).

- The FDIC deposit insurance coverage limits refer to the total of all deposits that an accountholder (or accountholders) has at each FDIC-insured bank.
  - o \$250,000 Single Accounts (owned by one person)
  - o \$250,000 per owner Joint Accounts (two or more persons)
  - o \$250,000 per owner IRAs and certain other retirement accounts
  - o \$250,000 per owner Trust Accounts, subject to specific limitations and requirements

The listing above shows only the most common ownership categories that apply to individual and family deposits, and assumes that all FDIC requirements are met.

## **FDIC coverage for non-interest bearing transaction deposit accounts**

Effective October 14, 2008, all non-interest bearing transaction deposit accounts at an FDIC-insured institution, including all personal and business checking deposit accounts that do not earn interest, are fully insured for the entire amount in the deposit account. This unlimited insurance coverage is temporary and will remain in effect for participating institutions until December 31, 2009.

## **Questions and Answers about Account Protection**

### **Q: What is the difference between SIPC and FDIC protection?**

**A:** It is important to understand that SIPC is not the securities world equivalent of the FDIC. When a member bank fails, the FDIC insures all depositors at that institution against loss up to a certain dollar limit. The FDIC's no-questions-asked approach makes sense because the banking world is "risk averse." Most savers put their money in FDIC-insured bank accounts because they can't afford to lose their money.

That is precisely the opposite of how investors behave in the stock market, in which rewards are only possible with risk. Most market losses are a normal part of the ups and downs of the risk-oriented world of investing. That is why SIPC does not bail out investors when the value of their stocks, bonds and other investments falls for any reason. Instead, SIPC replaces missing stocks and other securities where it is possible to do so - even when the investments have increased in value.

SIPC does not cover individuals who are sold worthless stocks and other securities. SIPC helps individuals whose money, stocks and other securities are put at risk when a brokerage fails for other reasons.

### **Q: Is everything I hold in my brokerage account covered by SIPC?**

**A:** No, only the cash and securities – including stocks, bonds, notes, CDs, and money market funds – held in your accounts at Morgan Keegan are protected by SIPC up to stated limitations (\$500,000 maximum per eligible client, of which \$100,000 may be cash).

Certain investments are ineligible for SIPC protection, such as commodity and futures contracts, as well as investment contracts (such as limited partnerships) and fixed annuity contracts that are not registered with the U.S. Securities and Exchange Commission under the Securities Act of 1933.

### **Q: My brokerage assets are worth more than \$500,000. Am I at risk?**

**A:** Morgan Keegan provides supplemental coverage up to \$125 million per account. The same guidelines in place for SIPC coverage apply to the supplemental coverage. You may also be eligible for more coverage based on the types of accounts you have at Morgan Keegan. For example, coverage may be provided for each eligible account, including individual, joint, trusts, etc. Contact your Morgan Keegan financial advisor if you have any questions about the coverage on your accounts.

### **Q: How can I get more information about SIPC coverage?**

**A:** The SIPC web site is a good source of information about the organization and ways to protect yourself from investment fraud. The Web site address is: [www.sipc.org](http://www.sipc.org). You may also request a printed brochure from your Morgan Keegan financial advisor.

### **Q: If my securities are in a margin account at Morgan Keegan, can they be loaned out?**

**A:** Morgan Keegan can loan out your securities only if you have a margin debit. Even then, the firm is limited as to the amount of securities that may be loaned out. The limit is 140% of the outstanding margin loan value. For example: If your account is worth \$600,000, and you have a margin debit of \$100,000, Morgan Keegan can only use \$140,000 of security value to collateralize your loan. All other securities held in a margin account are held in customer segregation and can not be used by the brokerage firm.

### **Q: Is Regions Bank financially stable?**

**A:** Despite the turmoil in the banking industry, Regions is solid financially and above the "well capitalized" minimums by regulatory standards. Regions has a proven record of stability and has always maintained a strong capital base, well above the minimums required by our regulators. Regions has more than adequate liquidity with a large and stable core deposit base across 16 states.

**Q: Is my money safe at Regions?**

**A:** Yes. Regions is FDIC insured. The FDIC insures consumer accounts up to \$250,000 per depositor, per insured bank and up to \$250,000 per individual per insured bank for IRAs (“self-directed” retirement accounts).

**Q: Are all of my Regions accounts covered under FDIC?**

**A:** The FDIC insures bank-held checking, NOW, savings, money market, CDs, and “self-directed” retirement accounts (IRAs). Stocks, bonds, Treasury Bills, mutual funds, life-insurance policies, annuities, and municipal securities are not covered by FDIC insurance.

**Q: I have more than \$250,000 with Regions; does that mean all my accounts are not covered?**

**A:** Not necessarily. Accounts with different classifications of ownership can be insured separately. You should review your accounts and determine what your coverage is. The FDIC website has a calculator to help you determine your coverage. (<http://www.fdic.gov/deposit/index.html>)

**Q: I have a bank account with Regions and also have assets in the FDIC-Insured Deposit Account at Morgan Keegan. Am I covered?**

**A:** The assets in both accounts should be aggregated for FDIC coverage, depending on how the accounts are classified. Review your accounts with your Morgan Keegan financial advisor to determine coverage.

**Q: I have money at other banks. Does that mean I am only insured for \$250,000 once?**

**A:** No. If those banks are FDIC insured, you are covered up to \$250,000 per depositor per bank. You should contact those banks and review your accounts, how they are set up and determine your FDIC coverage.

**Q: Are my trust accounts safe?**

**A:** Assets held in trust and fiduciary accounts do not become assets or liabilities of the bank and are, indeed, segregated from the bank’s assets. The bank acts as trustee or fiduciary to the account and, in this connection, provides investment management, investment advice and other services to the account. Account ownership remains vested in the individuals or entities for whose benefit the bank is acting as trustee or fiduciary and the assets are not subject to the claims of creditors.

Assets held in custodial accounts in the trust department of a bank do not become assets or liabilities of the bank and are segregated from the bank’s assets. The bank’s role as custodian is to hold the assets for safekeeping, to collect dividends and interest and provide other similar services. Account ownership in the assets remains vested in the individuals or entities for whose benefit the bank is acting as custodian and the assets are not subject to the claims of creditors. As a result, a failure of a bank will have no adverse effect on trust, fiduciary or custodial accounts: they remain the property of the account’s owner(s).

**Q: How do I get more information about FDIC Insurance?**

**A:** The FDIC has several resources available to provide you with more information. Visit their Web site, <http://www.fdic.gov/deposit/index.html>, for additional information including an insurance calculator or call them at 1-877-ASK-FDIC.

# Morgan Keegan

Morgan Keegan & Company, Inc.  
Members New York Stock Exchange, SIPC

Securities and insurance products are not insured by the FDIC or any other government agency, are not deposits or guarantees of the bank or its affiliates and may lose value.

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