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**From:** Escue Kim [Kim.Escue@morgankeegan.com]  
**Sent:** Monday, July 23, 2007 12:04 PM  
**To:** Pinckernell, Chet  
**Subject:** Due Diligence

Chet,

I started my attempts to get a meeting with Jim Kelsoe. I was told originally that he might be able to see me on 6/6/2007. I wanted to do our annual onsite early this year due to all volatility surrounding the subprime fallout. I had talked to Jim on the phone several times during the quarter and was given attribution and told that the funds had lowered exposure to subprime. I also talked to Jim several times during the quarter about the defaults in the portfolio. I was told that the Intermediate fund had experienced no defaults and the High Yield product had experienced no more defaults than what would be expected given its investment strategy and high yld style. When conditions began to worsen, I called the office and talked to Jim on Monday 6/4/2007. He told me that he could probably see me the afternoon of 6/6/2007. I explained to him that I wanted to come sit with him while he worked to get a better idea of what he was doing. He then said he would have to check on this and call me back. I did not hear anything back so I sent Al Landers the email on 6/6/2007. Al said he could only talk to me by phone on Thursday or give me an onsite the following week., I needed an onsite visit especially with all the turmoil surrounding the fund. I requested an onsite by replying to Al by email on 6/6/2007. I never heard back. During the week of June 11, 2007 I continued to call and request a meeting. Each time the someone would answer and supposedly leave a message for someone to call me back. No one would return my calls. The next week I called and got Jennifer Brown and asked her if she could let someone know that I needed my onsite meeting so that I could put out a research report and recommendation for the field especially in light of all the questions coming into their department and ours. I told her that if I could not get my onsite meeting that I would need to go ahead and put out a report based on my conference calls over the past quarter with Jim and would have to indicate that they would not see me. I did not want to do this , but the matter was urgent. Jim called me back within an hour. I told him that I was just trying to schedule the onsite we discussed the first week of June and that I was going to come out early this year because of the issues. I again told him that I would like to sit with him a while and watch his investment process while he was working and then meet with David Tanehill to go over how he had improved the corporate credit research process and get a feel for how he looks at corporates versus how rip looked at them. Jim then told me that the only time they could see me was late afternoon on July 3, 2007. While I knew that the bond market would be closing early that day and I would not get the opportunity to see them in action, I accepted the meeting because I was afraid that by declining I would be delayed even more. That day on June 20th I sent Jennifer Brown a list of items that go into our new report template and our normal pre meeting questionnaire. Courtney was out of the office getting married and I felt bad putting Jennifer so much to worry about why she was trying to cover. I sent her this long list of stuff and then at the end attempted to make light of a stressful situation with a joke that was apparently taken the wrong way. I immediately sent everyone ---including Jim an apology and explanation for my joke so they would understand I was just trying to be funny after being such a pest. Courtney was out so I told her to please not worry about my stuff until she returned on July 2nd and that I would not start writing the report until after the meeting. I received the bios that I requested for some of the other team members but they were not updated as requested. Spencer Hope and I met with Jim and David on July 3rd. For the first hour of our meeting we sat in Jim's office while he held a conference call with consulting services group. A lot of the same information that we would cover was covered on the call so it was not a problem and they did give us our full 2 hours. We talked to Jim about his process of looking at bonds and what set him apart. We read to him the past description of his investment process to see if he could expand on anything or if it did not provide an accurate description of his research method. He said it was fine and then we talked about why it was special and what he did different from other managers. Then we discussed how they work together as a team and then talked to Tannehil about his corporate credit research process to see if there were changes. We went over a new team members role. When we returned we sent Thank you emails to the team. We never received any of our information requests back outside of the old bios. I then started my reports without them. I tried to find information but it was outdated and the prospectus was not exactly clear on some items. I tried to call again about the information and left a message about the recommendation on the high income fund to give them a heads up. They did not call back, however, Casey King came to my desk and was apparently called to come ask me for my report and to let me know that they "the team" did not have time to help me write my report. I told Casey that they do not help me write my report, but that we have information that is in our new report templates that are generally confirmed and verified by the manager. I sent the reports to Jim, David, and Courtney. I then talked to Courtney several times on the phone and was sent some cashflow information for the funds. She said that she had some items to go over regarding the reports, but then never called me back or sent our information spreadsheets back. I then adjusted the reports to reflect not available for any info that we did not seem to have for the current portfolio, or items where the prospectus was not clear. I then emailed David Tannehill to ask about a pricing indicator he uses and to get

some clarity. He called me and went over this. The reports were completed and ready for release to the field the following week as I got tired of waiting for the spreadsheets and being delayed further. The items that I was unsure of were labeled not available and I did the best I could with the info I had to do team turnover information and trends.

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