TRADITIONAL INVESTMENTS GROUP
DUE DILIGENCE POLICY
(July, 2006)

The Traditional Investments Group (TIG) of Morgan Keegan & Company, Inc. has established a formal due diligence policy to document the methodology the department has adopted for recommending mutual funds and separately managed accounts to Morgan Keegan Financial Advisors.

This due diligence policy will outline the parties involved in this decision-making process, the process itself, and the evaluation criteria for making changes to the Best Ideas List (a sub-set of the Mutual Fund Select List), the Mutual Fund Select List and the Preferred Managers Program.

Structure of the Due Diligence Process

The TIG is comprised of six members of the WMS Department. The Group will meet weekly to discuss recommended investment options and any changes to the Group's recommendations

Analyst Responsibilities – Coverage responsibilities are broken down geographically and based on the location of the respective firm’s home office. Ex.: Franklin Templeton is has headquarters in San Mateo, California. The firm also has investment teams in Florida and New Jersey. The TIG research analyst assigned to California will cover all Franklin Templeton portfolios (mutual fund or separately managed account strategy), regardless of where the actual investment management team resides.

Additions to the Recommendations – Generally, new searches will be initiated on an as-needed basis. There are certain asset classes, small cap for example, where searches will occur more frequently due to the nature of that asset class. Searches will also be initiated when it is deemed necessary to replace an existing recommended portfolio, or as a results of a bi-annual search for new ideas. Finally, new ideas from FAs and analysts will be considered as well.

New searches will be assigned to analysts depending on current workload and expertise. While initiating a search, the assigned analyst will reach out to the rest of the team for ideas, and will also utilize their industry contacts, to supplement information provided by Morningstar, Mobius or Zephyr, etc.

When the analyst conducting the search has identified viable ideas, that analysts refers each idea to the analyst covering the territory where the asset manager has its headquarters. Together the analysts vet the ideas until there are one or two choices remaining. Those ideas will then be presented to the TIG via email. The team will be given necessary time to review the proposed recommendations.

With respect to the Mutual Fund Select List, if no significant objections are made, the portfolio(s) will be added to the list.

Recommendations for both the Best Ideas List and the Preferred Managers Program will be reviewed by the WMS Investments sub-Committee as a final step in the process. WMS Investments sub-Committee is made up of select members of the PCG Advisory Council, which works with the Wealth Management Services department on high-level issues.

All portfolios recommended by the TIG will be formally reviewed at least quarterly. As standard procedure, the TIG will review the qualitative and quantitative criteria outlined in this policy. If circumstances dictate, more frequent reviews will take place on specific portfolios.

Evaluation Criteria

Initial Criteria for Adding Portfolios – Generally, in order for a portfolio to be considered, the company (or sub-advisor) must meet certain minimum standards. The minimum standards for inclusion on the List are:

1) A minimum of $200 million under active management as a firm in total.

2) A minimum of a 5-year track record unless thorough due diligence results in an exception being made. There are special circumstances that may exist with a portfolio (for example, a team managing a fund in the identical manner in which they manage a separate account) which would cause the TIG to approve the portfolio with a shorter track record.

Once these initial criteria have been met, rigorous qualitative and quantitative analysis will be conducted to determine whether a fund will be added to the List. Such analysis will include:

1) Philosophy/Process:
   The ability to successfully and consistently implement an investment philosophy or style requires sound buy-sell practices, good research, strong analytical capabilities, and intelligent use of resources. In short, the TIG seeks investment managers who the Group believes employ a philosophy and process that are definable and repeatable.

   Central to the firm's success is the quality of its investment process, how it is implemented and the portfolio analytics used. Therefore, the TIG assigns the philosophy/process area a significant weight in the overall evaluation. Investment management firms vary widely in how clearly they define their investment process and how disciplined they are in its implementation. The TIG's underlying assumption is that managers who are consistent and disciplined in their approach are more likely to be successful in the long-run. This approach differentiates managers who add value from those who "just got lucky". A well-defined investment process covers asset allocation, security selection, criteria governing buy/sell decisions, rules regarding portfolio diversification, stock weightings, and other relevant investment criteria used in active portfolio management.

Among the questions addressed are: how consistent is the firm in implementing its philosophy across all discretionary accounts, who makes the implementation decisions, how are they made and how are they communicated within the firm, do all portfolio managers adhere closely to the firm's philosophy or do they act more-or-less independently? The portfolios should reflect the stated style. The TIG's analysis monitors noticeable trends in the portfolios away from the stated style, and stock positions which do not coincide with the managers stated philosophy.

The TIG believes that consistent implementation across portfolios implies that the variation in the returns across portfolios will be small.

Finally, the TIG assesses the availability and intelligent application of portfolio analytical tools. A sophisticated research capacity utilizing stock data bases and analytical software are important in supporting the portfolio management effort.

2) Performance:
While it behooves us to remember that past performance is not an indicator of future performance, relative past performance is important when evaluating consistency. For each time period, the manager's performance is compared to a universe of managers for the same asset class or using the same investment style.

A valuable indicator of a manager's performance is the style-relative performance results. This compares the manager's return relative to a peer group using the same investment style. While a manager's investment style (and hence, the kind of securities he would choose) may be out of favor in the short-term, and while his return may rank low in the overall universe, he may be doing very well relative to managers using the same style of investing. Or conversely, the manager's return may rank high in the broad equity (or bond) manager universe, but the manager could still be underperforming vis-à-vis his peer-group managers - an indication that the high return is more the result of market forces favoring the kinds of securities the portfolio holds, and not necessarily a reflection of superior stock picking on the part of the manager.

Composite Quality (for managed accounts only):
The quality of the composite portfolio returns provided by the manager is very important as it determines the credibility of our performance rating. In the past, reported composite returns have varied in their completeness and accuracy. In 1993, new performance reporting standards were recommended by the CFA Institute. While compliance is voluntary for investment management firms, these standards represent many years of thought and preparation by the investment management community and represent the best available standards for reporting performance. Most firms are unable to restate their performance history prior to

1993 to conform to the new guidelines. However, current and future adherence demonstrates an awareness of their value to the industry. Willingness to adopt and encourage the use of these standards shows a commitment to full and clear disclosure and to improving the image of the investment management industry.

3) General Business
To remain economically viable, a firm must demonstrate good administrative and planning practices. Evidence of sound administrative practices can be ascertained from decisions regarding the location, the physical layout, communications and data processing systems (e.g. telephones and computers), billing and collections systems, personnel policies, maintenance of client records and the working environment.

As part of the administrative evaluation, the TIG conducts a due diligence review of the firm's business practices focusing, in particular, on the legal and financial status of the firm. The TIG reviews the SEC Form ADV, Parts I & II, and inquires about any SEC or other governmental regulatory actions, past and present, against the firm. The TIG may also examine the most recent financial statements and look for any large outstanding loans or any other factors that could adversely affect the firm's financial health. Further, the TIG establishes who has controlling interest in the firm. The distribution of equity and employee remuneration are taken into account since they influence the level of loyalty and commitment. The TIG also looks at how stringently the policy against insider trading is spelled out and enforced. The recordkeeping procedures for client accounts are reviewed for completeness and accuracy. Additional areas of examination include the custody of assets, soft dollar commitments to vendors, and the source of client referrals, e.g., one primary relationship with a bank or brokerage firm, or more broadly based. Finally, the TIG reviews the firm's published performance numbers and examines its marketing materials for any misleading statements. By examining these and other germane business practices the TIG seeks to establish the integrity and financial health of the firm. Simply stated, the mission of the due diligence review is to verify that the firm lives up to its billing.

Planning is the second topic addressed under General Business. The ability to plan for controlled growth is important to ensuring that the firm's resources will not be overwhelmed by the addition of new assets under management. With good planning a firm can expand and grow without diluting the quality of its investment management process or its ability to service customers. While there is no optimal growth rate, the TIG assesses the way the firm is handling the growth. For example, are the administrative capabilities of the firm being taxed, has the number of professionals kept pace with the growth of assets under management, and what plans are in place for upgrading administrative systems to handle the additional work load.

4) Personnel:
Hiring and retaining quality personnel is vital to an investment management firm. High turnover can indicate serious, otherwise hidden, internal problems.

Importantly, the loss of key personnel can significantly diminish the chances of continued investment management success. The TIG's evaluation of personnel also includes the tenure and experience of the investment professionals. The Group considers time spent within the investment management firm and culture as well as total time and experience in the investment industry.

The TIG considers the Chartered Financial Analyst (CFA) certification the main professional credential for investment advisors. The TIG views it as an important indicator of a firm's commitment to professionalism and ongoing education. While the TIG does not view the CFA as a requirement to successful investing, the Group does favor firms who employ a reasonable number of CFA charter holders.

5) Client Relations
The ability to gain new clients and retain current clients is essential. Some clients leave because of poor performance, but customer research has shown that service and trust are more important to investors than performance.

The TIG's evaluation of a firm's ability to service its clients considers several important factors, including: frequency of contact with current clients, quality of systems and informational materials, and the integrity and ability of the people involved in the customer service effort.

In addition, the TIG considers the investment managers willingness to provide pertinent information to the Group on a timely basis. The Group favors investment managers who are willing to provide information on the portfolio management team, the investment process, holdings, and business developments on a timely basis.

It is important to note that no single criterion drives the research process. All areas listed above are essential, though some factor more than others, and are viewed within the context of the need. For example, within General Business, operations capacity tends to be more of a concern with separate account managers than with mutual funds. This is due to the operational complexity associated with the separate account business. In contrast, Client Relations, especially home office communication, is more of a factor in selecting mutual funds versus separate account managers. This is largely due to the relative lack of transparency with mutual funds versus separate accounts.

Ongoing Due Diligence – As part of the regular due diligence, the following analyses are undertaken on each portfolio on a regular basis:

1) Analysts will conduct on-site due diligence visits on an annual basis. These visits will focus on the firm developments, the investment team and process, operations, compliance and marketing/client service. A full, written report will be published on the Wealth Web for each investment manager. This report will contain a review of the firm, investment personnel, the investment process, asset flows,

performance and the TIG's expectations, and a summary of the TIG's conclusions.

2) A questionnaire will be sent to each investment manager on a quarterly basis. This questionnaire will focus on performance, attribution, holdings & transactions (SMA only), business development and personnel changes.

   A quarterly quantitative review will focus on performance results relative to the TIG's expectations for each portfolio. For example, if the market was led by small cap names, then the TIG would expect the small cap-oriented managers to perform well, while expecting the large cap-oriented managers to perform less well. Likewise, if dividend paying equities performed well, the TIG would expect dividend focused managers to perform well, and non-dividend focused managers to perform less well.

   In addition, the analysts will review holdings and transactions to monitor consistency with the portfolio's stated philosophy and process.

3) Analysts will send an email to each investment manager intra-quarter. This informal email will ask for an update on any firm developments or personnel issues, as well as any other outstanding items.

4) While points #1, 2, & 3 will result in at least nine "touches" per year, analysts are encouraged to develop personal relationships with their contacts at each investment firm. Through the development of these relationships, the TIG will better be able to gain information on the investment managers on a more timely basis. It is these types of intangibles that can lead to a superior research effort.

If a portfolio underperforms its benchmark for four consecutive quarters or its 3-year performance ranks in the bottom half of its peer group, the TIG will research the situation and it will be discussed among the team and the investment manager. This under-performance is not an immediate trigger for a rating change, but it raises caution and signals that increased scrutiny is needed to identify and understand the reasons for the under-performance and to determine what, if any, corrective action should be taken.

The TIG tries to understand if a given fund's process has fallen broken down due to a fundamental weakness that needs to be changed or if the portfolio's style is just out of favor in the current market environment. In general, the TIG is not quick to remove portfolios, as all portfolios cycle through periods of under-performance. When concerns arise, however, the TIG is quick to initiate an in-depth analysis of the situation and to make appropriate decisions based upon underlying fundamentals.

Conflicts of Interest

The TIG is geared towards a pure research effort according to the five previously mentioned areas of interest:

- Personnel
- Philosophy/Process
- Performance
- General Business
- Client Relations

In order to avoid conflicts of interest, the TIG is does not participate in revenue sharing, marketing support, or fee negotiations of any sort. In addition, an asset management firm's marketing capabilities are of only marginal importance to the TIG. Of the five criteria listed above, Personnel, Philosophy/Process, and Performance are by far the most important.

A fund or separate account manager will NOT be added to any TIG recommendations based solely on fees or marketing efforts. The underlying principle is that the success of a client's portfolio, and therefore the TIG, is most heavily dependant on consistency of Personnel, Philosophy/Process, and Performance. The TIG will not waver on this point.