

April 21, 2005

Edward L. Brundick, III, Esq.
Morgan Keegan & Company, Inc.
Fifty Front Street
Memphis, TN 38103

Re: **Request for Exemption from Rule 10b-10(a) for Preferred Advisors
Discretionary Program**

Dear Mr. Brundick:

Based on the facts and representations set forth in your letter of April 20, 2005, we find that it is appropriate in the public interest and consistent with the protection of investors to grant, and hereby grant, Morgan Keegan & Co., Inc. ("MK") an exemption, pursuant to Rule 10-10(f) under the Securities Exchange Act of 1934 ("Exchange Act"), from the trade-by-trade confirmation delivery requirements of Rule 10b-10(a) so that MK may send clients of its Preferred Advisors Discretionary Program ("Preferred Advisors Clients"), who have requested them, periodic statements not less often than quarterly, in lieu of trade-by-trade confirmations.¹ The periodic statements will contain all of the information required by Rule 10b-10 for transactions in securities effected by MK for Preferred Advisors Clients in their accounts during the applicable period.

In particular, we note the following:

1. MK will provide all Preferred Advisors Clients, prior to the opening of their accounts, and at least annually thereafter, a brochure describing the products, services, and fees of the Preferred Advisors Discretionary Program.

¹ MK is dually registered as a broker-dealer and an investment adviser. As explained in more detail in your letter, MK sponsors the Preferred Advisors Discretionary Account Program, an investment advisory program, wherein MK acts as the sole investment adviser and executing broker for any resulting securities transactions. A Preferred Advisors Client receives portfolio management, execution, asset allocation, and administrative services for one "wrap fee" based on assets under management. Because MK acts as both the investment adviser and the executing broker for its Preferred Advisors Discretionary Program, MK cannot rely on the class relief from the requirements of Rule 10b-10(a) granted to broker-dealer sponsors of wrap fee programs in Letter re: Money Management Institute, Securities Industry Association (Aug. 23, 1999). The conditions upon which that relief was granted make it clear that it is available only to broker-dealer sponsors that do not also serve as investment adviser for the wrap fee program.

2. MK will develop a form of written or electronic consent for Preferred Advisors Clients who request not to receive trade-by-trade confirmations and, in lieu thereof, receive a periodic statement that contains the same information that would have been in the trade-by-trade confirmation for each transaction. New Preferred Advisors Clients will elect to receive a periodic statement in lieu of trade-by-trade confirmations by executing a separate signature line, specifically providing for such consent, contained in the client's account opening documentation.
3. Preferred Advisors Clients electing not to receive trade-by-trade confirmations could later change their minds and request, for no additional cost, trade-by-trade confirmations for any transaction since the date of the last periodic statement, as well as for all subsequent transactions. MK will also inform Preferred Advisors Clients that they could request, for no additional fee, trade-by-trade confirmations for previous transactions effected for up to a one-year period preceding the last periodic statement.
4. MK will send all information required by Rule 10b-10 to Preferred Advisors Clients in a periodic statement on at least a quarterly basis.
5. Preferred Advisors Clients will have access to MK's website and generally will be able to view within 20 minutes after a trade is effected in their account, but in no event later than the next business day after trade date (T+1), all information required by Rule 10b-10. Preferred Advisors Clients will also be able to obtain all information required by Rule 10b-10 either by telephoning their account representative or by requesting the trade-by-trade confirmation for the particular transaction.
6. MK will continue to generate and send trade-by-trade confirmations to those Preferred Advisors Clients who do not elect to receive periodic statements in lieu of trade-by-trade confirmations.
7. MK will also continue to generate and retain, in accordance with Exchange Act Rules 17a-3 and 17a-4, trade-by-trade confirmations for Preferred Advisors Clients who elect to receive periodic statements in lieu of trade-by-trade confirmations.
8. MK will not require or request that Preferred Advisors Clients elect not to receive trade-by-trade confirmations, but would make information available on how such clients could make such an election. MK client communications will inform existing and new Preferred Advisors Clients about their ability to receive confirmations on a trade-by-trade basis or in periodic statements, but would not suggest which choice is better. Such client communications also

will inform Preferred Advisors Clients that, if interested, they should contact a MK representative to obtain more information or to obtain a copy of a written or electronic consent to request a periodic statement in lieu of trade-by-trade confirmations. These client communications will not suggest that such an election is required for Preferred Advisors Discretionary Program accounts or that the clients will incur additional costs if they did not elect to receive periodic statements in lieu of trade-by-trade confirmations.

9. MK will not act as principal in transactions with Preferred Advisors Clients.
10. Consistent with the wrap fee program concept of no transaction fees, no Preferred Advisors Clients will be charged a mark-up, mark-down, or commission for transactional services.

This exemption from Rule 10b-10 is based solely upon the representations you have made and is limited strictly to the facts and conditions described in your letter. In the event that a material change occurs with respect to any of the facts or representations presented, periodic statements should be discontinued and the use of trade-by-trade confirmations should be reinstated for the transactions described above pending presentation of the facts for our consideration. The staff of the Division of Market Regulation expresses no view with respect to other questions that the Preferred Advisors Discretionary Program may raise, including the applicability of any other federal or state laws or the applicability of self-regulatory organization rules concerning customer account statements or confirmations.

For the Commission, by the
Division of Market Regulation
Pursuant to delegated authority,²

Brian A. Bussey
Assistant Chief Counsel

² 17 CFR 200.30-3(a)(32).