

# **DISCLOSURE DOCUMENT**

## **INFORMATION PROVIDED IN COMPLIANCE WITH GUIDELINES OF THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION**

### **Advisory Services**

RELIANT INVESTMENT MANAGEMENT, LLC (RIM) is a Registered Investment Adviser, registered with the United States Securities and Exchange Commission. The primary business conducted by the firm (between 85% and 90%) is discretionary investment management, done within guidelines agreed upon between RIM and the client. RIM manages both stock and bond portfolios. A very small proportion of RIM's business, less than one percent, is non-discretionary management.

The service provided includes setting asset allocation targets with the client. This determines the appropriate mix of stocks, bonds and reserves, giving consideration to client needs and market conditions. Option strategies are also used when appropriate. The trading of stocks and bonds is an integral part of the investment management process. Consultation with the client is done on an ongoing basis to ensure that the client objectives are up-to-date.

RIM's business also involves managing accounts not involving investment supervisory services (between 10% and 15%). This is similar to other management services, except that the interface with the client is handled by another party such as a broker or financial planner. The other party works with the client to determine individual needs and objectives.

RIM is also available for investment advice through consultations. This includes, for example, one-time portfolio evaluations, assisting clients in making choices in 401k plans or other services utilizing the investment expertise of RIM, this is a very small proportion of RIM's business, usually less than one percent.

RIM does not represent itself to be a financial planning firm. The investment management process does, however, include assessing a client's tolerance for risk and the impact of

different portfolio structures on estimated future wealth and income.

### **Types of Clients**

RIM works with an array of clients. They include individuals, retirement plans, trusts, charitable organizations, foundations, business entities financial institutions and governmental bodies.

### **Types of Investments**

Investments utilized by RIM include the following:

- Common stocks (exchange traded and over-the-counter)

- Issues convertible into common stocks

- Bonds (government, corporate, asset-backed, tax-exempt)

- Options (puts and calls)

- Mutual funds

- Money-market instruments (money-market funds, Treasury bills, commercial paper, certificates of deposit, repurchase agreements)

### **Methods of Analysis**

RIM uses a number of techniques for assessing securities. Foremost among those are fundamental research, charting and technical analysis of price movements, and economic analysis.

The main sources of information include: internally generated research, research materials prepared by others, financial publications, and independent corporate rating services. Material provided directly by corporations is also used, including annual reports and prospectuses. In addition, RIM has direct, electronic access to a wealth of information.

During the research process and through other contacts, RIM may become privy to material non-public information. RIM employees who do possess such information related to the value of a security shall not trade or cause others to trade in that security. If employees receive material non-public information in confidence, they shall not breach that confidence by trading or causing others to trade in securities to which such information relates.

The primary investment strategy used by RIM is to purchase securities with the intent of holding them for at least a year. Securities may also be purchased and sold within a shorter period when appropriate.

## Fees

The predominant method of compensation is a fee calculated as a percentage of assets under management. On occasion, the fees may be based on an hourly rate, especially if the service being provided is a project rather than ongoing management. Under some circumstances a fixed fee may be appropriate. The basic fee schedule is as follows:

<u>ACCOUNT VALUE</u>	<u>STOCK MGT.</u>	<u>STOCK &amp; BOND MGT.</u>	<u>BOND MGT.</u>
Up to \$25,000,000	1.00%	.75%	.50%
Over \$25,000,000	.65%	.50%	.25%

The above schedule is for fully discretionary, continuous investment management.

The investment management fee schedule for institutional fixed income and cash management accounts is 0.25% for accounts with a market value of up to \$25 million and 0.20% for accounts with a market value in excess of \$25 million. Management fees for relationships with a market value in excess of \$50 million are negotiable. Client fee schedules may be negotiated higher or lower under certain circumstances, including objectives not specified above. This will be assessed on a case by case basis. Actual investment advisory fees incurred by clients may vary.

Generally, RIM will not accept a new account with a balance of less than \$500,000. However, this requirement may be waived in the discretion of RIM.

The fees are payable as of the end of each calendar quarter. The market value used will be the average of all net asset values for each month-end during the quarter. Fees are not collected in advance, unless the negotiation of a fee schedule specifies such payment. If this situation arises, fees will never be collected more than one quarter in advance.

The standard agreement may be cancelled by either party upon written notice. The final fee will be based on the average month-end valuations that occurred during the quarter of termination, through the date of the termination notice. The fee may be amended from time to time by RIM upon forty days written notice to the client. If there is no month-end during the period, the prior month-end value will be the basis of the fee calculation.

Special projects pertaining to investment management may be undertaken on an hourly fee basis. These include, but are not limited to, one-time portfolio evaluations, advice about the allocation of 401k contributions, investment performance evaluation for portfolios managed by others and so forth. The specific amount is negotiable, depending on the nature of the service.

RIM presently has certain clients under "wrap fee" arrangements offered by Morgan Keegan, a broker dealer. The wrap fee is based on the size of the portfolio and is in lieu of commissions. RIM separately charges its fee for investment management services, no portion of the wrap fee paid to the brokerage firm is received by RIM. In evaluating such an arrangement, a client should recognize that brokerage commissions for the execution of transactions in the client's account are not negotiated by RIM. Trades are generally expected to be executed only with Morgan Keegan, so that RIM may not be able to seek best price and execution by placing transactions with other broker dealers. The client should also consider that, depending upon the level of the wrap fee charged by Morgan Keegan, the amount of portfolio activity in the client's account, the value of custodial and other services provided under the arrangement and

other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be obtained separately and if RIM were able to negotiate commissions and thus seek best price and execution of transactions for the client's account.

Programs similar to the one in place with Morgan Keegan may be undertaken with other broker/dealers. At present, no other such arrangements exist.

It should be noted that the investment advisory fees may be tax-deductible expenses, to the extent allowed by federal and state regulations.

## **Education and Business Standards**

The following background information is for each member of the staff of RIM who determines general investment advice to be given to clients:

### **Susan Logan Huffman, CFA**

#### **Education:**

BA, Cum Laude, in Business Administration from Rhodes College in Memphis, Tennessee in 1983

Chartered Financial Analyst professional designation from the Institute of Chartered Financial Analysts in 1986

Series 63 in 1990  
Series 65 in 1994

#### **Business and Investment Experience:**

Ms. Huffman was born in 1961. She is one of the founders of RELIANT INVESTMENT MANAGEMENT as well as a founder of Weibel Huffman Keegan (originally Weibel and Logan Investment Management). Prior to that, Ms. Huffman was employed by Union Planters National Bank Trust Division from 1983 through 1985, where she served as a Trust Investment Officer.

### **John R. Huffman**

#### **Education:**

BS in Economics and Finance from Christian Brothers University in Memphis, Tennessee in 1981

MBA in Finance from Memphis State University in Memphis, TN in 1986

Series 7 in 1994  
Series 63 in 1994

#### **Business and Investment Experience:**

Mr. Huffman was born in 1959, he is a founder of RELIANT INVESTMENT MANAGEMENT. Prior to that, Mr. Huffman was employed by Weibel Huffman Keegan, having joined the firm in 1992. Other experience includes Safety Shot GP, which he serves as President, and Schering Plough, where he was employed as a Sr. Systems Design Specialist. Mr. Huffman is also the Mayor of Piperton, Tennessee.

### **Lon M. Magness**

#### **Education:**

Bachelor of Arts in History and English from Tulane University in New Orleans, Louisiana in 1989

Graduate Degree in Bank Management from the Graduate School of Banking at Louisiana State University in 1996

#### **Business and Investment Experience:**

Mr. Magness was born in 1967. Prior to joining RELIANT INVESTMENT MANAGEMENT, he served as President of Commerce Capital Management, Inc., the registered investment advisory subsidiary of National Commerce Financial Corporation. Mr. Magness also served as First Vice President and Manager of the Portfolio and Funds Management Division of National Bank of Commerce, the lead banking subsidiary of NCF.

### **Hugh B. Walmsley**

#### **Education:**

Bachelor of Science Degree in Business Administration with major in Accounting from Louisiana Polytechnic Institute in 1968

#### Business and Investment Experience:

Mr. Walmsley was born in 1946. Prior to joining RELIANT INVESTMENT MANAGEMENT, he served as Director of Finance for the Caddo Parish Commission where his responsibilities included the investment of Parish funds in excess of \$50 million. His thirty years of government finance experience was preceded by five years in public accounting where Mr. Walmsley earned the designation of Certified Public Accountant while at the firm of Peat, Marwick, Mitchell & Co. While with Caddo Parish he earned the designation of Certified Government Finance Officer in Louisiana.

It is expected that investment professionals employed at RIM are well qualified and experienced. There are no specific standards of experience or education.

### **Referral Arrangements**

RIM has, and may have, client referral agreements with firms that specialize in financial planning. Those firms may recommend RIM's investment management services to prospective clients deemed to be compatible with RIM.

RIM may compensate the financial planning firms by payment of a portion of the annual advisory fee paid to RIM. No client so referred will pay a higher fee attributable to RIM's compensation arrangement with the financial planning firms. Both the financial planning firms and RIM will maintain relationships with the clients. A copy of the solicitation agreement between RIM and the financial planning firm (or a description of the terms of the solicitation arrangement) will be provided to each prospective client at the time of solicitation to become a client of RIM.

### **Participation or Interest in Client Transactions**

RIM employees may buy or sell securities that are also bought or sold in client accounts. Transactions for clients have priority over employee transactions. RIM maintains a basic commitment to always place client interests above those of the officers and employees of RIM and their

immediate family members. Specific rules governing personal trading are as follows:

A security is defined to include all directly related securities, such as convertible issues, options and warrants.

No employee may purchase or sell a security that is either being bought or sold for a client until the next trading day.

No employee should purchase a security that may be purchased for a client or sell a security that may be sold for a client within one day prior to the client transaction. Though this standard is difficult to monitor precisely, the intent is clear and will be monitored on a case by case basis.

No employee may purchase a security from or sell a security to a client.

No employee may purchase a security on its initial public offering.

All employee transactions will be recorded in a personal trading log on the date of transaction. Each employee will sign the record of transaction for the previous 90 days within ten days of the end of the quarter.

In addition, RIM has adopted a Code of Ethics and Standards of Professional Conduct for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. The Code of Ethics covers a range of topics that include general ethical principals; priority of trading and reporting of personal security transactions; participation in initial public offerings and private placements; relationships with clients, prospective clients, and the public; preservation of confidentiality; reporting of conflicts of interest; and supervisory procedures. A copy of the RIM Code of Ethics and Standards of Professional Conduct will be provided to any client or prospective client upon request.

RIM does not, as principal, buy securities for itself from or sell securities it owns to any client. RIM also does not, as broker or agent, effect securities transactions for compensation for any client. However, situations occasionally arise where it is in the best interests of one client to

sell a particular security while being in the best interests of another client to buy that same security. This is referred to as a "cross trade." RIM allows its portfolio managers to enter into cross-trades should doing so be in the client's best interests. RIM does not derive any separate fee or other compensation (other than its customary advisory fee) from executing trades in this manner. All cross trades are effected through an independent intermediary like a registered broker-dealer. In addition, the transactions must be effected at the current market price, which will be established in accordance with approved Firm methodologies.

## **Review of Accounts**

All accounts are managed and reviewed by one or more of the investment professionals of the RIM, they are Susan L. Huffman, Principal and Chief Investment Officer; John R. Huffman, Principal and Portfolio Strategist; Lon Magness, Principal and Portfolio Manager and Hugh Walmsley, Portfolio Strategist and Client Relationship Manager. Accounts and assets are under continual review. Asset allocation is monitored to ensure that the general structure of the account meets all objectives established for that account. Each security is also monitored to make sure that it is still an appropriate holding.

Asset allocation may change either by a shift in client objectives or by a change in the relative attractiveness of stocks versus bonds. Individual securities may become inappropriate due to a change in underlying fundamentals or to a change in valuation.

All accounts receive, at a minimum, a quarterly statement of assets showing cost and market value. Other information will be provided as requested or on a customized basis. The intent is to provide, within limits, whatever information is useful to the client.

## **Investment or Brokerage Discretion**

The basic service is fully discretionary as to the securities to be bought or sold and the amount bought or sold. A non-discretionary agreement may also be arranged. This would involve giving

recommendations only, which the client may choose to accept, reject or modify.

The fully discretionary service includes granting RIM the right to choose brokers and negotiate commission levels. In those cases, RIM may pay a broker a higher commission than could be obtained elsewhere. The basic reasons for doing so would be to purchase various research services or to obtain a better trade execution. Research services may include economic research, fundamental industry and company research, technical analysis, access to statistical data bases, general investment strategy for stocks, bonds and options and portfolio analysis. Also, RIM may use a portion of commissions generated to pay a portion (but not more than 75%) of the cost of Axys, a software system that is used for account management, portfolio accounting, and client reporting.

This use of commissions to pay for research has the potential for creating a conflict of interest in that transactions may be initiated to satisfy the research cost as opposed to transactions being initiated only for the benefit of the client's portfolio. That potential conflict is monitored continually so as to ensure that transactions are only in the best interest of the client.

Services purchased with commissions may or may not be used for all accounts. Generally, all accounts benefit from the sum of research available to RIM.

The client may, for various reasons, direct commissions to one or more specific brokers. This may influence the level of commission discount obtained, if any. If the assets for an account are held by a specific broker, most or all trading will be done through that broker, which may affect the commission level.

## **Conclusion**

Please do not hesitate to contact us at (901) 843-0600 regarding any of the above information. Also, if there are topics not included that are of interest, we would be glad to provide additional information.