



# REGIONS

## INVESTMENT MANAGEMENT

### **Part 2A of Form ADV Brochure**

1901 6th Ave North, 4th Floor  
Birmingham, Alabama 35203  
<http://www.regions.com>

Updated: May 2, 2012

This brochure provides information about the qualifications and business practices of Regions Investment Management, Inc. ("RIM"). If you have any questions about the contents of this brochure, please contact us at 205-581-7424. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

RIM is a Registered Investment Adviser. Registration as an Investment Adviser does not imply any level of skill or training.

Additional information about RIM is available on the SEC's website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 - Material Changes

The purpose of this Item is to provide a summary of material changes since March 28, 2012, the date of RIM's most recent update to Part 2A of Form ADV.

The following items are material changes since RIM's last update:

1. Name Change: As of February 1, 2012, Morgan Asset Management ("MAM") was renamed Regions Investment Management, Inc. ("RIM"). While some business activities and internal departments have changed, the overall effect to clients is the difference in name only and the name change and internal restructuring does not affect the ability to service clients.
2. Business Activities: At the time of the name change, RIM restructured internally. Many functions formerly performed within MAM have been transitioned to Regions Trust, which is the trust division of Regions Bank. RIM remains a registered investment adviser, and continues to provide investment strategies and advice to its clients.

In the future, if RIM amends this Part 2A of Form ADV, it will provide its clients with a summary of those material changes either on an annual basis or as required by regulation.

## Item 3 - Table of Contents

Item 2 - Material Changes .....	2
Item 3 - Table of Contents .....	2
Item 4 - Advisory Business .....	2
Item 5 - Fees and Compensation.....	3
Item 6 - Performance Based Fees and Side-by-Side Management .....	4
Item 7 - Types of Clients .....	4
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	4
Item 9 - Disciplinary Information .....	11
Item 10 - Other Financial Industry Activities and Affiliations .....	13
Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	13
Item 12 - Brokerage Practices .....	13
Item 13 - Review of Accounts .....	15
Item 14 - Client Referrals and Other Compensation .....	15
Item 15 - Custody.....	15
Item 16 - Investment Discretion.....	15
Item 17 - Voting Client Securities.....	16
Item 18 - Financial Information.....	16

## Item 4 - Advisory Business

RIM is wholly owned by RFC Financial Holding, LLC (FSH) which is wholly owned subsidiary of Regions Financial Corp., a regional financial holding company, and is a publicly held reporting company under the Securities Exchange Act of 1934.

RIM primarily serves as the investment adviser to Regions Trust, a division of Regions Bank. RIM provides customized investment management services to Regions Trust's high-net-worth client accounts. Additionally, RIM provides portfolio management services to the Regions Trust investment accounts of institutional clients, including corporate pension plans, public funds, foundations and hospitals meeting certain criteria.

RIM provides investment advisory services regarding domestic equity and fixed income portfolios. RIM provides model strategies and provides portfolio management for institutional clients. Dependent upon the strategy selected, clients may be permitted to place restrictions on investing in certain securities or types of securities, as some strategies offered by RIM may be tailored to fit the needs of the client.

As of February 2, 2012, RIM managed \$9,776,766,898.19 on a discretionary basis on behalf of its clients. Discretion means that RIM does not need prior permission to conduct transactions in client accounts.

There are risks associated with any investment or advisory service. There are no guarantees of the success of any particular investment or strategy, and it is possible that some or all of the principal could be lost. Past performance is not a guarantee of future performance; clients invest at their own risk.

Tax implications are a critical component of any investment strategy. It is possible that trading activities could result in taxable events and/or lower investment return. Because investments may have tax or legal consequences, clients should contact their own tax professionals and attorneys to assist them in answering questions about specific situations or needs.

## **Item 5 - Fees and Compensation**

RIM receives annual compensation in the form of a flat fee from Regions Trust by written agreement to provide research information to Regions Trust personnel. RIM may provide investment advisory services to Regions Trust clients where applicable. Fees related to these Trust clients are typically set and negotiated by Trust Officers. RIM's compensation is based upon a percentage of the assets under management by RIM. RIM does not negotiate fees with clients. RIM does not bill Regions Trust, nor does it deduct fees from the accounts of clients of Regions Trust.

In addition to investment management fees, clients bear trading costs.

When RIM provides investment management services to institutional clients, a separate fee schedule reflecting the institutional breakpoints is applied. The fee schedule below reflects the fees that RIM receives for its services. These fees are subject to negotiation in the sole discretion of RIM. All fees are billed or collected on a monthly or quarterly basis in arrears. The fee schedule does not include brokerage commissions, other charges associated with securities transactions with or through a broker-dealer, mark-ups or mark-downs in principal transactions, odd-lot differentials, stock exchange fees,

transfer taxes or any other charges mandated by law, which charges will be separately charged to each account by the broker-dealer or other custodial entity.

Service	Annual Fee
Portfolio Management for Institutional Accounts	50% of the fee received by Regions Trust
Equity Model Strategies	0.2% of assets under management
Bond Model Strategies	0.1% of assets under management

RIM is engaged as a portfolio manager under a wrap fee program sponsored by Morgan Keegan & Company, Inc. ("MK"). Client fees are negotiated by MK. RIM does not bill MK, nor does it deduct fees from the accounts of clients of MK. The fee structure for these accounts is as follows:

Security Type	Annual Fee
Equities	0.5%
Fixed Income	0.35%
Cash Instruments	0.25%

RIM does not receive compensation for the sale of securities or other investment products (e.g.: service fees from the sale of mutual funds or asset-based sales charges).

### **Item 6 - Performance Based Fees and Side-by-Side Management**

Advisory fees that are based upon a share of capital gains or capital appreciation of assets of a client are commonly referred to as "performance based fees".

RIM does not charge any performance fees. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to RIM.

### **Item 7 - Types of Clients**

RIM, primarily provides customized investment management services to high-net-worth individuals, institutions and associated trusts, estates, pension and profit sharing plans, and other legal entities. RIM's minimum account size for most strategies is generally \$100,000 but this amount is negotiable. Some strategies may require a higher minimum investment amount.

### **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

Securities held in advisory accounts managed by RIM are not, deposits or obligations of any bank, are not endorsed or guaranteed by any bank, and are not insured by the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board or any other governmental agency. Investments in securities involve risks, including possible loss of principal amount invested.

RIM's Equity and Fixed Income Research Analysts work together to conduct fundamental analysis on all securities recommended for client accounts. This analysis varies depending on the security in question. For stocks and bonds the analysis generally includes a review of:

- The issuer's management;
- The amount and volatility of past profits or losses;
- The issuer's assets and liabilities, as well as any material changes from historical norms;
- Prospects for the issuer's industry, as well as the issuer's competitive position within that industry; and
- Any other factors considered relevant.

RIM has an Investment Strategy and Asset Allocation Committee ("ISAAC"), chaired by Brian B. Sullivan, CFA, President and Chief Executive Officer. The ISAAC meets monthly to define and develop the investment strategies for RIM. One of the key functions of the ISAAC is to review all asset allocation guidelines, as well as provide a general outlook for the economy and the financial markets. Individual investments are evaluated independently, as well as in the context of clients' existing holdings and sector exposures.

#### Investment Strategies

Through RIM, clients may invest using the following equity strategies:

- Total Return Opportunity Portfolio: this portfolio is constructed using fifty (50) domestic large cap stocks which are divided between growth and value. Each stock holding is allotted a two percent portfolio weight. The criteria for stock selection include but are not limited to: attractive valuation, earnings growth, stability of earnings, dividends, and cash flow.
- Midcap Opportunity Portfolio: this portfolio is constructed using fifty (50) stocks with a market cap between \$2 billion and \$10 billion. The portfolio includes both growth and value stocks, with weights between 1% and 3%. The criteria for stocks selected for the portfolio include but are not limited to: strong top line growth, valuation relative to growth rate, strength of balance sheet, and margin analysis.
- Equity Income Opportunity Portfolio: this portfolio is comprised of fifty (50) domestic large cap stocks. Each stock is allotted a two percent portfolio weight. The criterion for stocks selected includes but is not limited to: history of dividend growth, high dividend yield, strong cash flow generation and a stable and growing earnings stream.
- High Dividend Yield Strategy: this portfolio contains fifty (50) domestic large cap stocks. The strategy concentrates on companies with high dividend payouts and the ability to maintain and grow those dividends. The criterion for stock selection includes but is not limited to: history of dividend growth, high dividend yield, strong cash flow generation and a stable and growing earnings stream.

Through RIM, clients may invest using the following fixed income strategies:

- **Aggregate Bond Opportunity Portfolio:** this portfolio is comprised of Treasury, Agency, Corporate, Mortgage and Asset Backed bond issuers falling within the AAA through BBB quality spectrum according to national ratings agencies. Factors evaluated in buy or sell decisions include but are not limited to: yield spreads, credit quality trends, industry conditions and comparative value in another issue or sector.
- **A-Rated Aggregate Bond Opportunity Portfolio:** this portfolio contains Treasury, Agency, Corporate, Mortgage and Asset Backed issuers falling within the AAA through A quality spectrum according to national ratings agencies. Factors evaluated in buy or sell decisions include but are not limited to: yield spreads, credit quality trends, industry conditions and comparative value in another issue or sector.
- **Enhanced Cash Bond Opportunity Portfolio:** this portfolio is designed for investors with at least a two-year investment horizon. The primary objective of the strategy is the preservation of capital, with a secondary objective of generating returns that exceed standard money market funds.
- **Intermediate Bond Opportunity Portfolio:** this portfolio relies on the equal emphasis of duration positioning, sector selection, yield curve positioning and security analysis to continuously evaluate all areas of the bond market to manage risk and seek opportunities. This portfolio is comprised of Treasury, Agency, Corporate, Mortgage and Asset Backed bond issuers falling within the AAA through BBB quality spectrum according to national ratings agencies. Factors evaluated in buy or sell decisions include but are not limited to: yield spreads, credit quality trends, industry conditions and comparative value in another issue or sector.
- **A-Rated Intermediate Bond Opportunity Portfolio:** this portfolio relies on the equal emphasis of duration positioning, sector selection, yield curve positioning and security analysis to continuously evaluate all areas of the bond market to manage risk and seek opportunities. This portfolio is comprised of Treasury, Agency, Corporate, Mortgage and Asset Backed bond issuers falling within the AAA through A quality spectrum according to national ratings agencies. Factors evaluated in buy or sell decisions include but are not limited to: yield spreads, credit quality trends, industry conditions and comparative value in another issue or sector.
- **Socially Responsible Bond Opportunity Portfolio:** this portfolio relies on the equal emphasis of duration positioning, sector selection, yield curve positioning and security analysis to continuously evaluate all areas of the bond market to manage risk and seek opportunities. This portfolio is comprised of Treasury, Agency, Corporate, Mortgage and Asset Backed bond issuers falling within the AAA through BBB quality spectrum according to national ratings agencies. Factors evaluated in buy or sell decisions include but are not limited to: yield spreads, credit quality trends, industry conditions and comparative value in another issue or sector.
- **A-Rated Social Bond Opportunity Portfolio:** this portfolio contains Treasury, Agency, Corporate, Mortgage and Asset Backed issuers falling within the AAA

through BBB quality spectrum according to national ratings agencies. Factors evaluated in buy or sell decisions include but are not limited to: yield spreads, credit quality trends, industry conditions and comparative value in another issue or sector.

Through RIM, clients may invest using the following institutional strategies:

- **Large Cap Growth Portfolio:** the investment process focuses on approximately 120 active candidates within a universe of 350 to 400 companies. The strategy defines the Large Cap universe as companies generally greater than \$10 billion in capitalization. The screening and selection process uses sector weights, individual stock analysis, comparative index analysis, quantitative analysis, and technical analysis to construct and manage the strategy. The strategy does not employ non-dollar, emerging market, or synthetic securities. Both the buy and sell discipline process follow an incremental approach to adding or reducing holdings, recognizing that markets and security specific events may change without warning. It is anticipated that buy and sell decisions will contribute to portfolio turnover averaging 40% per annum and may vary around that level depending on market opportunities as well as general equity market volatility.
- **MidCap Growth Portfolio:** The investment strategy selects companies from within the MidCap universe that exhibit predictable sales growth, from either top line earnings or on a per share basis. The strategy defines the Mid Cap universe as companies falling within the range of \$2 billion to \$10 billion in capitalization. The screening and selection process uses sector weights, individual stock analysis, comparative index analysis, quantitative analysis, and technical analysis to construct and manage the strategy. The strategy does not employ non-dollar, emerging market, or synthetic securities. The MidCap portfolio will typically contain a range of 70 to 90 names. Non-benchmark names may comprise no more than 15% of the portfolio. These may consist of holdings with capitalizations under \$2 billion or over \$10 billion. It is anticipated that buy and sell decisions will contribute to portfolio turnover averaging 40% per annum and may vary around that level depending on market opportunities as well as general equity market volatility.
- **Large Cap Value Portfolio:** A strategy that focuses on selecting companies with projected fundamental strength beyond current market expectations that are trading at attractive valuations. A Large Cap Value portfolio will typically contain a range of 50 to 80 names. Non-benchmark names may not comprise more than 25% of the portfolio. The buy discipline is based on fundamental strength, valuation and a catalyst. The sell discipline monitors the development of the catalyst. If the catalyst is realized, it triggers a disciplined process to re-examine the thesis behind the purchase of that stock and then its potential use as a source of funds.
- **Large Cap Core Portfolio:** The strategy focuses on selecting companies using disciplines to identify high quality names at attractive valuations. The process employs business cycle analysis to identify sectors primed to benefit from turning points in economic activity and company analysis to select names trading out of favor. A Large Cap Core portfolio will contain 50 names. Non-benchmark names

may not comprise more than 25% of the portfolio. The buy discipline is based on fundamental strength, valuation and a catalyst. The sell discipline monitors the development of the catalyst. If the catalyst is realized, it triggers a disciplined process to re-examine the thesis behind the purchase of that stock and then its potential use as a source of funds.

- **Aggregate Bond:** The universe of security types screened for selection comprise all Treasury, Agency, Corporate, Mortgage and Asset Backed issuers falling within the AAA through BBB quality spectrum. All investment decisions are managed within risk parameters limiting portfolio duration to within +/- 25% of the benchmark. Sector exposures are measured on a duration-weighted basis and relative to the benchmark range from 30 to 200%. Credit sensitive securities are limited to 3% but typically range from of 1-2%. RIM's buy and sell discipline is an integral part of the risk management process. All buy and sell decisions are based on relative value analysis, subject to internally established exposure constraints as well as client guidelines. Factors evaluated in buy or sell decision are yield spreads, credit quality trends, industry conditions and comparative value in another issue or sector. If no substitute can be found to replace a sale, the proceeds are typically invested in Treasuries to minimize the impact on current duration and yield curve strategies. Market timing is not an element of the strategy and we do not allocate to cash.
- **A-Rated Bond:** The primary objective of the strategy is to generate income by investing in high quality bonds rated A or better in the 1-30 year maturity range. This portfolio is comprised of Treasury, Agency, Corporate, Mortgage and Asset Backed bond issuers falling within the AAA through A quality spectrum according to national ratings agencies. Factors evaluated in buy or sell decisions include but are not limited to: yield spreads, credit quality trends, industry conditions and comparative value in another issue or sector.
- **Long Duration:** The primary objective of the strategy is to maintain a duration/risk profile similar to the Barclays Capital Long Government Credit Index. The universe of security types screened for selection comprise all Treasury, Agency and Corporate issuers falling within the AAA through BBB quality spectrum. All investment decisions are managed within risk parameters limiting portfolio duration to within +/- 10% of the benchmark. Sector exposures are measured on a duration-weighted basis and relative to the benchmark range from 30 to 200%. Credit sensitive securities are limited to 3% but typically range from of 1-2%. Factors evaluated in buy or sell decision are yield spreads, credit quality trends, industry conditions and comparative value in another issue or sector. If no substitute can be found to replace a sale, the proceeds are typically invested in Treasuries to minimize the impact on current duration and yield curve strategies. Market timing is not an element of the strategy and we do not allocate to cash.
- **Enhanced Cash:** This strategy emphasizes income return combined with value, within a framework of offering a high degree of diversification. The Enhanced Cash strategy is designed for investors with at least a two year investment horizon. The effective final maturity of any single issue selected will not exceed three years. The primary objective of the strategy is to preserve principal and generate stable income flows that exceed money market funds. The portfolio will



generally be structured in a laddered manner with a focus on a maturity structure that reflects an interest rate outlook as well as opportunities to purchase undervalued securities between cash equivalents and 3 years. Typically, 5% to 10% of the portfolio may mature every 1 to 3 months and most security transactions will occur from reinvesting cash from maturing securities and income generated by the portfolio. Over time, the portfolio may generally exhibit a maturity structure where 30% to 60% of the portfolio comes due in 1 year or less. The target duration for the Enhanced Cash strategy is 1.0 and will be limited to a range of 0.5 to 1.5. Sector risk exposure to corporate securities is limited to 60%. Credit sensitive securities are limited to 3% but typically range from of 1-2%. Factors evaluated in buy or sell decision are yield spreads, credit quality trends, industry conditions and comparative value in another issue or sector. If no substitute can be found to replace a sale, the proceeds are typically invested in Treasuries to minimize the impact on current duration and yield curve strategies.

- **Government Only Enhanced Cash:** This strategy emphasizes income return combined with value, within a framework of offering a high degree of diversification. The Government Only Enhanced Cash strategy is designed for investors with at least a two year investment horizon. The effective final maturity of any single issue selected will not exceed three years. The primary objective of the strategy is to preserve principal and generate stable income flows that exceed money market funds. The portfolio will generally be structured in a laddered manner with a focus on a maturity structure that reflects an interest rate outlook as well as opportunities to purchase undervalued securities between cash equivalents and 3 years. Typically, 5% to 10% of the portfolio may mature every 1 to 3 months and most security transactions will occur from reinvesting cash from maturing securities and income generated by the portfolio. Over time, the portfolio may generally exhibit a maturity structure where 30% to 60% of the portfolio comes due in 1 year or less. Factors evaluated in buy or sell decision are yield spreads, credit quality trends, industry conditions and comparative value in another issue or sector. If no substitute can be found to replace a sale, the proceeds are typically invested in Treasuries to minimize the impact on current duration and yield curve strategies.
- **Low Duration:** The Low Duration strategy is designed for investors with at least a two year investment horizon. The universe of security types screened for selection comprise all U.S. Treasury, Agency, Corporate, Mortgage and Asset Backed issuers falling within the AAA through BBB quality spectrum with an effective final maturity no greater than five years. The target duration for the Low Duration strategy is 2.0 and will be limited to a range of 1.0 to 2.5. Sector risk exposure to corporate securities is limited to 60%. Credit sensitive securities are limited to 3% but typically range from of 1-2%. Factors evaluated in buy or sell decision are yield spreads, credit quality trends, industry conditions and comparative value in another issue or sector. If no substitute can be found to replace a sale, the proceeds are typically invested in Treasuries to minimize the impact on current duration and yield curve strategies.
- **Government Only Low Duration:** The Government Only Low Duration strategy is designed for investors with at least a two year investment horizon. The universe

of security types screened for selection comprise all U.S. Treasury, Agency and Agency mortgage issues with an effective final maturity no greater than five years. The target duration for the Government Only Low Duration strategy is 2.0 and will be limited to a range of 1.0 to 2.5. Factors evaluated in buy or sell decisions are yield spreads, security structure and comparative value in another issue or sector.

RIM primarily invests for relatively long time horizons, often for a year or more. However, market developments could cause RIM to sell securities more quickly.

RIM does not engage in short selling or option writing.

### Risk of Loss

Investing in securities involves risk of loss of principal that clients should be prepared to bear. All securities are subject to some level of risk which could cause the value of the client's securities to decrease in value, and in some cases, could result in a loss of the client's entire investment. The following are some types of risk that could affect the value of a client's portfolio:

- Market risk: the risk that changes in the overall market will have an adverse effect on individual securities, regardless of the issuer's circumstances.
- Business risk: whether because of management or unfortunate circumstances, some businesses will inevitably fail. This is especially true during economic recessions. For example, a company stock may become worthless in the event of a bankruptcy, which would result in a loss of capital to the shareholders.
- Interest rate risk: if the Federal Reserve pushes interest rates higher, the market prices of bonds may be affected. When interest rates rise, the market price of bonds falls.
- Inflation risk: Uncontrolled inflation reduces the buying power of a dollar, and may cause uncertainty among individual investors, possibly resulting in corporations backing away from projects, which could further reduce the value of corporate equities.
- Regulatory risk: legislative, regulatory and/or judicial changes that impact businesses can drastically change entire industries.
- Liquidity risk: certain investments lack liquidity or the ability to access their principal quickly, without incurring substantial penalties, or the inability to sell the investment until sometime in the future.
- Opportunity risk: clients may choose a conservative product to invest in, which could cause the client to miss out on market upswings which may have increased the value of securities with higher risk. The opposite is also true; market downturns could cause the client to lose a significant amount of principal invested in higher risk securities, when their funds could have been invested in lower risk options.
- Reinvestment risk: clients may be unable to make additional purchases of a security already in their portfolio at the same rate at which the original purchase was made.

- Currency or exchange rate risk: foreign securities face the uncertainty that the value of either the foreign currency will increase or decrease; either of which may cause the value of the client's portfolio to fluctuate.
- Transactional cost risk: the client may incur significant transactional charges in an actively traded account. Frequent trading can decrease the value of a client's account due to increased brokerage and transaction costs. In addition, the frequent trading may cause taxable events to occur, which could increase the client's tax burden.

Clients should understand and be willing to accept these and other types of risks before choosing to invest in securities or receive investment advisory services.

### **Item 9 - Disciplinary Information**

Regions Bank and AmSouth Bank merged in 2006 which resulted in AmSouth Asset Management, Inc. (AAMI) being absorbed into Morgan Asset Management, now known as RIM. On September 23, 2008, the Securities and Exchange Commission, Los Angeles Regional Office sent to RIM (formerly Morgan Asset Management), a cease and desist order pertaining to events alleged to have occurred between 1999 to 2004 at AmSouth Asset Management, Inc.. AAMI and AmSouth Bank were charged with violating Sections 206(1) and (2) of the Advisors Act and Sections 12(B) and 34(B) and Rule 12B-1 of the Investment Company Act while serving as advisor to the AmSouth Funds for entering into side arrangements with Bisys Fund Services for payments of certain fees that were not properly disclosed to the AmSouth Funds' Board or shareholders. As noted, these events occurred prior to RIM's affiliation with AmSouth Asset Management, Inc.

The matter was settled on September 23, 2008, with AmSouth Bank and AAMI being required to pay: \$7,789,232 in disgorgement, \$2,198,952.81 in prejudgment interest and \$1,500,000 in civil monetary penalty to Pioneer Funds, which acquired the Amsouth Funds in 2005, within 30 days of the date of the order, the respondents were also required to cease and desist committing further violations of the relevant sections of the Investment Advisors Act and the Investment Company Act.

AmSouth Bank merged with Regions Bank in 2006. AAMI's business was absorbed into RIM as of the end of 2007, and AAMI's registration as an investment adviser was withdrawn in January 2008.

On June 22, 2011, the Securities and Exchange Commission (the "SEC") and the securities commissioners or divisions in the states of Alabama, Kentucky, South Carolina, Tennessee and Mississippi announced settlements with RIM, formerly known as Morgan Asset Management, Morgan Keegan & Co., Inc. ("MK"), an individual previously associated with RIM, and in the SEC order another individual who was associated with MK, of administrative proceedings initiated by those regulators in 2010. The Financial Industry Regulatory Authority also ("FINRA") announced a settlement with MK. The SEC order found that RIM violated Sections 206(1), 206(2) and 206(4) of the Investment Advisers Act of 1940 (prohibiting certain fraudulent activities by advisers)

and Rule 206(4)-7 thereunder (requiring advisers to maintain compliance policies and procedures), and Section 34(b) of the Investment Company Act of 1940 (the “1940 Act”) (prohibiting material misstatements or omissions in registration statements, reports and other documents filed with the SEC), and aided and abetted and caused violations of Rules 22c-1 (pertaining to the net asset value pricing of fund shares) and 38a-1 (requiring funds to maintain compliance policies and procedures) under the 1940 Act. The SEC order found that MK violated Rule 22c-1 under the 1940 Act, and aided and abetted and caused violations of Section 34(b) of the 1940 Act and Rule 38a-1 thereunder. The SEC order made additional findings with respect to the two individuals. The SEC findings as to RIM all related to the failure to comply with the “fair value” valuation standards adopted by certain funds (the “funds”) formerly managed by RIM and distributed by MK for the valuation of securities held by those funds, for which readily available market quotations were not available. In particular, the SEC order found that RIM failed to disclose to the boards of the funds that it was not complying with the funds’ valuation procedures with respect to these securities, that it failed to have adequate policies and procedures in place, that it made material misrepresentations concerning a fund’s performance in its reports and records, and submitted inflated prices for such securities for the fund’s net asset value calculations and records supporting its financial statements, and that it aided and abetted and caused violations by the funds with respect to their net asset value calculations and failure to implement their fair valuation procedures. The State orders each listed the following practices by RIM and/or MK as violations of their respective state laws: RIM’s and/or MK’s failure to disclose the risks associated with investments in the funds in filings, disclosure and marketing materials; misclassification of asset backed securities; the use of not directly comparable industry benchmarks; the incorrect characterization of the funds and their holdings in certain marketing and disclosure materials; inappropriate comparison of investment returns; misleading marketing materials; failure to supervise employees, agents and associated persons in activities relating to the funds and failure to enforce supervisory procedures; failure to make suitable investment recommendations to some investors; and failure to review customer accounts, correspondence and marketing materials. Other findings are made against the settling individual named in the state actions. The FINRA order against MK (a Letter of Acceptance, Waiver and Consent submitted by MK) found violations of NASD Conduct Rules 2110, 2210, 2210(c), 2210(d), 3010(a), 3010(b) with regard to statements in certain marketing materials for a fund and MK’s supervisory procedures for advertising activities. These orders resolved the administrative proceedings initiated by the regulators as to RIM, MK and the two individuals.

RIM and MK agreed to pay an aggregate amount of \$210 million under the orders, \$200 million of which will be put into a Fair Fund for the benefit of certain fund investors, and to comply with certain other undertakings. The individuals agreed to certain sanctions under the order(s). The SEC and state orders also resolved pending actions against a former RIM portfolio manager, and in addition the SEC order resolved charges against a former MK Controller. Copies of the orders are available on the respective regulator’s website.

RIM and MK did not admit or deny the findings (except as to jurisdiction) in the SEC or FINRA orders. With respect to the state orders, RIM and MK admitted jurisdictional allegations, and certain statements relating to the maintenance of books and records. In addition to the monetary sanctions, the SEC order censured RIM and MK and imposed a cease and desist order upon them. RIM's Form ADV provides additional information regarding these matters.

### **Item 10 - Other Financial Industry Activities and Affiliations**

Regions Financial Corporation is a large financial services institution with various subsidiaries. Among them is RFC Financial Services Holding, LLC, the parent company of RIM. Other subsidiaries of Regions Financial Corporation include Regions Bank, and Regions Insurance Group. While these companies are affiliated with RIM, this affiliation does not present a conflict of interest to RIM's clients.

### **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

RIM has adopted a written Code of Ethics ("the Code") that is applicable to all employees. The Code, among other things, requires RIM employees to act first and foremost in the clients' best interests, to abide by all applicable regulations, and to avoid even the appearance of any potential conflict of interest or any abuse of their position of trust.

RIM's employees are generally permitted to trade securities alongside client accounts as long as their transactions are submitted for pre-clearance review and approval. The Chief Compliance Officer or his/her designee monitors employee trading, relative to client trading, to ensure that employees do not engage in restricted or prohibited transactions. Further, the Chief Compliance Officer or their designee does not grant preclearance where it would appear that an employee's trading could disadvantage a client.

RIM's restrictions on personal securities trading apply to all employees, as well as the employees' family members living in the same household. A copy of RIM's Code of Ethics is available upon request.

### **Item 12 - Brokerage Practices**

RIM, by virtue of management of the portfolios, must trade securities on behalf of clients. All transactions are executed on an agency basis through a variety of available brokers who have met the requirements of the Best Execution/Soft Dollar Committee. RIM acknowledges that a client bears an expense when trading both in the form of commissions and other transaction costs however, RIM will endeavor to keep these costs as low as possible within the constraints of proper portfolio management.

#### Soft Dollar Benefits

RIM receives certain research products and services from a variety of providers at discounted rates from the utilization of commissions as soft dollar credits. The purchase of such research material is based on using said products strictly to assist RIM in its

investment decision-making process. These products and services may include but are not limited to portfolio management systems and software that supports RIM's research processes. Some of the providers of these systems and software include: Advent, Bloomberg, Dow Jones, FactSet, Gimme Credit, Lipper, Moody's, Morningstar, NYSE, Reuters, Standard and Poor's, Thomson Financial and Value Line. Commissions may be used as soft dollars to purchase these research products and services, provided that:

- The service must be for the primary benefit of client accounts managed by RIM, and
- The commissions rates paid must be competitive with rates paid by RIM to other brokers.

Currently, transactions are executed through three institutions identified by RIM as "Soft Dollar Brokers" to include the Bank of New York ConvergeX, Bridge Gateway Trading and Sungard Institutional Brokerage, Inc. because these firms have met the requirements noted above.

#### The Selection of Trading Counterparties

Fixed income transactions are based on the availability and pricing of bonds which will vary more widely with fixed income dealers. Prior to placing a bond trade, RIM fixed income traders solicit bids from several dealers and then execute the trade with the dealer that offers sufficient liquidity and the most favorable pricing.

For clients who elect to have their accounts held by firms other than Regions Trust, the accounts are classified as outside custody accounts.

#### Directed Brokerage Accounts

RIM allows, but does not encourage, clients to designate a specific broker for the execution of their respective trade orders providing no fiduciary standards are violated by the designation. Orders designated to a specific broker will be considered market orders.

It is the policy of RIM to require that all client instructions to direct transactions in client accounts to a specific broker-dealer be in written form to include the following disclosure:

- RIM may not be authorized under these circumstances to negotiate commissions and may not be able to obtain volume discounts or best execution for transactions placed with the broker-dealer designated; and
- There may be disparity between the commissions charged to the transactions directed to the broker designated on this form and the commissions charged to transactions otherwise placed by or on behalf of other clients of RIM.

### Best Execution Reviews

RIM's Best Execution/Soft Dollar Committee meets on a quarterly basis to review the execution performance of brokers that were selected to execute client transactions. Committee members continue to evaluate the pricing and services offered by the trading counterparties with those offered by other reputable firms. The Committee contracts with an independent research company, Global Trading Analytics (GTA), to compare the trading activity of approximately 200 firms. RIM has sought to make a good-faith determination that these chosen trading counterparties provide clients with good services at competitive prices. Clients should be aware that this determination could have been influenced by RIM's receipt of products and services from research providers. However, as previously noted, the brokers whose agreements include "soft dollar" arrangements are also reviewed on this quarterly basis to ensure they continue to meet RIM's criteria.

### Aggregated Trades

RIM typically aggregates client trades in an effort to treat all clients fairly. Clients participating in a bunched order receive the same average price and incur a reduced trading cost than they would have paid if they were trading individually. If an order is partially filled, clients will have their orders fully filled on a pro-rata basis. RIM will seek to complete any unfilled client orders on the next trading day.

### **Item 13 - Review of Accounts**

All accounts assigned to RIM will be reviewed at least quarterly with regard to the account's asset allocations versus its target allocation. The review will also include the levels of available cash for investing as related to the client's stated investment objectives.

Clients receive account statements directly from their chosen custodian on at least a quarterly basis. RIM may supplement these custodial statements with individualized reports provided during client meetings or as requested.

### **Item 14 - Client Referrals and Other Compensation**

RIM does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

### **Item 15 - Custody**

RIM does not custody client accounts.

### **Item 16 - Investment Discretion**

Generally, client accounts managed by RIM are managed on a fully discretionary basis subject to limitations imposed by client investment objectives and other regulatory limitations. Any limitations on this authority must be stated in writing. Clients may amend any such limitations as needed and these amendments must also be in writing. A non-discretionary agreement may also be arranged, in which RIM makes recommendations only, which the client may choose to accept, reject or modify.

**Item 17 - Voting Client Securities**

RIM has adopted proxy voting procedures for voting proxies on behalf of clients. RIM has retained ISS Proxy Advisory Services ("ISS") to vote proxies on its behalf. RIM's proxy voting procedures seek to ensure that proxies are voted in the best interest of its clients. The procedures contemplate various proposals that may arise and a predetermined manner in which RIM will vote or circumstances under which RIM will conduct further review before determining the manner in which it will vote.

The RIM procedures include: (i) how RIM will oversee the proxy voting vendor, ISS; (ii) record-keeping requirements; (iii) handling of client requests for information; and (iv) management of conflicts of interest. The Proxy Committee reviews RIM's proxy voting process and history on an annual basis.

RIM clients may obtain a complete copy of the procedures and records of how their respective securities were voted by writing to:

Regions Investment Management  
1901 6th Avenue North, 4th Floor  
Birmingham, AL 35203

**Item 18 - Financial Information**

RIM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.