

# **AMC Pinnacle<sup>SM</sup>**

## **Asset Management Consulting**

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SunTrust Investment Services, Inc.

303 Peachtree Center Avenue, Suite 140

Atlanta, GA 30303

(800) 874-4770

SEC File Number 801-56443

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This brochure provides information about the qualifications and business practices of SunTrust Investment Services, Inc. If client has any questions about the contents of this brochure, please contact STIS at (800) 874-4770. The information in this brochure has not been approved or verified by the United State Securities and Exchange Commission or any state securities authority.

Website Addresses: [www.suntrust.com/investmentservices](http://www.suntrust.com/investmentservices) and [www.alexanderkey.com](http://www.alexanderkey.com)

Additional information about SunTrust Investment Services, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Securities and Insurance Products and Services:**

**•Are not FDIC or any other Government Agency Insured •Are not Bank Guaranteed •May Lose Value**

**Material Changes**

Material changes since the last update of August 1, 2011:

On January 1, 2012, SunTrust Investment Services, Inc. became sole sponsor and investment adviser of the AMC Pinnacle program.

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## **Services, Fees and Compensation**

SunTrust Investment Services, Inc. ("STIS") is a separate, wholly owned non-bank affiliate of SunTrust Banks, Inc. STIS became a registered broker-dealer under the Securities Exchange Act of 1934, in November of 1985 and an investment adviser under the Investment Advisers Act of 1940, as amended in May, 1999, and was a state registered investment adviser from April, 1996 to May, 1999. Registration does not imply a certain level of skill or training. STIS is a member of the Financial Industry Regulatory Authority ("FINRA") and Securities Investor Protection Corporation ("SIPC").

STIS is an introducing broker-dealer clearing its trades through National Financial Services LLC and its affiliate Fidelity Management Trust Company, if client's account is a qualified retirement account, (the "Carrying Broker" or "Custodian" or "NFS"). Custodian also provides custody and execution services for client's account. STIS acts as sponsor, as defined in Rule 3(a)-4 of the Investment Company Act of 1940, as amended, of the AMC Pinnacle program and manages client accounts on a discretionary basis as discussed more fully below.

AMC Pinnacle ("Service") is a Unified Managed Account program, ("UMA") which gives clients the choice of advisory services by combining certain investment vehicles within one account. STIS acts as overlay manager and selects a combination of models of model providers, mutual funds and Exchange Trade Funds, ("ETFs") used in the Service.

STIS has sole responsibility for the selection of the model providers and models, mutual funds, and ETFs that are available as investment vehicles in this Service, and is responsible for the due diligence with respect to these investment vehicles. STIS utilizes the services of SunTrust Banks who conducts initial and ongoing due diligence on the model providers and models, mutual funds and ETFs. STIS' Investment Policy Committee approves the model providers, mutual funds and ETFs based on representations of SunTrust Banks.

STIS has investment discretion with respect to managing the client's investments in the Service. STIS' discretion, as overlay manager, includes the selection and maintenance of model providers and models, mutual funds and ETFs in the Service; modification to allocation profiles; the replacement, reduction or elimination of any investment vehicle in the accounts; account rebalancing; and liquidation of asset positions, if necessary, to generate cash for withdrawals by the client or the payment of account fees.

STIS' advisers are responsible for profiling the client, recommending an asset allocation strategy and managing the ongoing client relationship.

### **Fees**

The annual fee ("Program Fee") for the Service is tiered, based on the market value of the client's assets calculated on the last billing day of the previous quarter. The annual fee is negotiable and may differ from client to client based upon a number of factors including, but not limited to, the type and size of the client's account, the range of services provided to the client, and the total relationship between STIS and the client in terms of assets under management or supervision. STIS may discount the annual fee for employees of STIS and its affiliates.

The minimum quarterly fee for an account is \$625. Each account is subject to the minimum quarterly fee, even if the balance falls below the minimum investment. If a client's account incurs the minimum quarterly fee, the amount a client pays in fees, as a percentage of the account, will increase as the account value declines and may exceed the STIS fee schedule listed below. Such minimum fee may be higher than those fees charged by STIS for other client accounts with greater asset levels and may exceed 3.00% or 2.25%, respectively, of Assets Under Management. Clients should consider either increasing the assets in the account or consider whether the program continues to be appropriate for them in such situations where the minimum quarterly fee is applied. Advisers whose client account(s) have incurred a minimum annual or quarterly fee may be sent communication requesting that they review their client's situation to

determine whether the program remains suitable for the client. STIS retains the right to adjust the minimum quarterly Program Fee and minimum investment amount under certain circumstances with reasonable written notice to client.

The standard annual Program Fee is determined in accordance with the following schedule:

<u>Assets Under Management</u>	<u>Manager Model</u>	<u>Funds/ETF Model</u>
Up to \$ 500,000	3.00%	2.25%
Next \$ 500,000	2.25%	1.25%
Next \$ 1,000,000	2.00%	1.00%
Balance over \$ 2,000,000	1.75%	0.75%

Program Fees for the Service are charged quarterly, in advance, at the annual rates shown above based on assets under management for an account.

Program Fees are pro-rated for accounts that are opened or closed during the quarter. Multiple AMC Pinnacle accounts held by the same client or members of the client's immediate family (i.e., spouse, children, or parents) may be aggregated for purposes of determining total amount of assets under management. The fees are automatically deducted from the client's account. STIS reserves the right to adjust client fees at its sole discretion.

The initial fee is billed from the date the account is opened, through the end of that calendar quarter in advance and is based on the initial value of the assets placed in the account as of the close of business on the day the account is opened and funded. Thereafter, fees are billed quarterly in advance, based on the value of the account assets at the close of the last business day of the previous calendar quarter. For additional contributions greater than \$25,000 a partial fee will be charged related to the number of days remaining in the calendar quarter. Fees for quarters in which an account is opened or closed are pro-rated as follows: for opening accounts, actual days charged begin with the day after an account is opened and funded and do not include the day of funding. For closing accounts, actual days charged include all days the account has been under supervision during the quarter, including the day the account assets are transferred out of the account. Fees will not be returned for client withdrawals made during a quarter.

Program Fees paid by clients for the Service may be more or less than the fees charged for advisory, custodial and brokerage services offered separately by STIS, depending on the nature, size and frequency of account transactions and other services.

#### Compensation

STIS receives the gross fees charged clients for its services, including advisory services, models, manager and manager model research, document processing, information systems and other administrative services. This fee is included within the Program Fee for each client.

STIS representatives receive part of the Program Fees for recommending the Service to their clients and managing the account relationship. The amount of this Program Fee may be more or less than similar service/program fees received for other programs offered by STIS or received when investment advice, brokerage or other services are provided separately.

STIS may allocate a portion of the fees it receives to the Designated Broker and/or the Custodian for processing and administration, ***see Account Requirements and Types of clients Section below for detail pertaining to the services of the Carrying Broker.***

### Valuation

For purposes of the computation of the market value of any securities or other investments in an account, securities listed on a national securities exchange will be valued, as of the valuation date, at the closing price on the principal exchange on which they are traded. Shares of mutual funds and exchange traded funds will generally be valued at their respective net asset values as calculated on the valuation date (or the most recent net asset value if none is calculated on the valuation date) as determined by pricing sources believed by NFS or STIS to be reliable. Any other securities or investments in an account will be valued by NFS in a manner determined in good faith to reflect fair market value. Any such valuation should not be considered a guarantee of any kind whatsoever with respect to the value of the assets in an account. NFS may use a pricing service or other independent evaluator, as well as other independent sources, in computing the value of securities. These values are believed to be reliable, but STIS will not verify the accuracy of the information.

### Class Action Suits

As custodian, NFS researches client ownership of certified class action suits involving securities for which it holds custody. Once a class action suit has been certified, NFS will screen client ownership records using the specific criteria defined in the suit. Client names and addresses meeting the specified criteria will be provided to the claims administrator assigned by the courts. The claims administrator will then mail all class action notices to the client. Client may elect to participate in the suit; however STIS and NFS are not responsible for submitting documents of behalf of client.

### Other fees or charges

Clients may also incur separate fees or charges associated with odd-lot differentials, auction fees, transfer taxes, electronic fund and wire transfer fees, SEC fees on NASDAQ trades, any other fees mandated by law, certain fees in connection with the establishment or administration or termination of retirement or profit sharing plans or trust accounting, and any other charges for special services requested by clients. Some client accounts may hold shares of investment companies, including money market funds, closed-end funds, and/or exchange-traded funds. Those funds have their own expenses, including certain advisory, distribution or other fees, and a client account invested in those funds will indirectly bear a portion of those expenses. Each of the fees discussed above is in addition to the Program Fee.

In addition, we or our affiliate may receive marketing or other payments from exchange-traded investment funds in which client asset-based fee assets may be invested.

In addition to the fees for the Service, clients are subject to certain charges in connection with investments made through the program, including mutual fund/ETF advisory, distribution, early redemption or other fees.

In exercising its investment discretion over client's accounts, STIS may invest assets in client's account(s) in shares of a management investment company or mutual fund for which an affiliate of STIS, perform advisory or other services ("Affiliated Fund") and receive management or other fees for such services ("Affiliated Fund Fees") that are separate and distinct from the fees that STIS receives pursuant to the investment advisory agreement between client and STIS. In the exercise of its investment discretion in accordance with the investment advisory agreement or at client's direction, STIS may invest a portion of the assets in client's account(s) in shares of an Affiliated Fund. STIS may receive (to the fullest extent permitted by applicable law) the Affiliated Fund Fees and the fees it receives pursuant to the investment advisory agreement. Information about the Affiliated Fund Fees paid to STIS can be found in the prospectus and/or annual report for the Affiliated Fund and client may be provided with additional disclosure or asked to execute additional consents as, and to the extent, required by applicable law. Client may terminate client's consent and

authorization at any time (i) by terminating the investment in the applicable Affiliated Fund, or (ii) by providing written notice to STIS of client's intention that this consent and authorization be terminated.

If client is subject to the provisions of ERISA or Section 4975 of the Internal Revenue Code of 1986, the assets invested in an Affiliated Fund will not be included in the Fee calculation.

Money market funds and other mutual funds, including ETFs in which clients may invest (including Affiliated Funds), or the advisers or principal underwriters of the funds, may make payments to STIS or our affiliates pursuant to a Rule 12b-1 distribution plan or other arrangement as compensation for distribution, shareholder services, recordkeeping, or administrative services; these payments may be paid from the fund's total assets or may be paid by a fund's adviser or distributor. The Rule 12b-1 distribution plan and other fee arrangements will be disclosed upon request and typically are disclosed in the applicable fund's registration statement.

STIS and its affiliates may have a variety of banking, financial, or service relationships with (1) mutual funds/ETFs participating in the Service, (2) corporations or other issuers, the securities of which are purchased in the portfolios of such mutual funds/ETFs, and (3) the other Service Providers and their affiliates. Such relationships may involve a receipt of compensation or other benefits by STIS and its affiliates. From time to time, STIS or its affiliates may also receive training, marketing materials, or other marketing support from mutual funds and ETFs participating in the Service. Such arrangements may be based on the size and duration of holdings in a mutual fund/ETF. This additional compensation and/or other benefits are in addition to fees paid by clients for the Service and are used, in part, to offset the costs of administering the Service.

#### **Account Requirements and Types of Clients**

A minimum investment of \$250,000 is required to open an AMC Pinnacle account.

AMC Pinnacle clients must open a brokerage account with STIS. NFS executes and clears purchase and sale orders directed to it by STIS; provides transaction confirmations, account statements, annual reports, prospectuses and tax reporting information directly to clients; and provides custody services for cash and securities in client accounts. AMC Pinnacle clients do not deal directly with NFS.

Upon opening a brokerage account it is important that client understands that in order to help the government fight the funding of terrorism and money-laundering activities, to meet Federal law and contractual obligations to NFS, STIS is required to verify client's identity by obtaining client name, date of birth, address, and a government-issued identification number before opening a brokerage account. In certain circumstances, STIS may obtain and verify this information with respect to any person(s) authorized to effect transactions in an account. For certain entities, such as trusts, estates, corporations, partnerships or other organizations, identifying documentation is also required. Client account may be restricted and/or closed if STIS cannot verify this information. Neither STIS nor NFS will be responsible for any losses or damages (including, but not limited to, lost opportunities) resulting from any failure to provide this information, or from any restriction placed upon, or closing of, the client's brokerage account. Further, if client is a foreign financial institution, client agrees that in establishing a brokerage account with STIS that client will not open or maintain client's brokerage account for or on behalf of any third party and that client will not allow any third party to use or access any brokerage account that client opens at STIS.

The Service is available to individuals, corporations and other business entities, pension and profit sharing plans, charitable organizations and not-for-profit organizations. STIS reserves the right to accept, reject or renew any client for the Service. Our products and services are not guaranteed by SunTrust Banks, Inc., any other bank, or any subsidiary of

SunTrust Banks, Inc. Products sold or recommended by STIS are not insured by the Federal Deposit Insurance Corporation.

### **Portfolio Manager Selection and Evaluation**

In offering the Service, STIS representatives work with individual clients to create a personal Client Profile and Questionnaire (the "Client Profile") that identifies the client's goals, risk tolerance, time horizon, financial situation and other factors that influence investment approach. Depending on the client's financial goals and available assets, the representative may recommend to the client the AMC Pinnacle program. The Client Profile proposes an asset allocation strategy based on the client's answers to the questions posed by their STIS representative. The client then selects the appropriate program based on this recommendation. If the client chooses the Service, the representative will recommend the initial Investment Products for the account. Advisor will have authority to change the Manager Models, Program Funds or ETFs within the Allocation Profiles, from the available list of Investment Products and within predetermined ranges, to reflect the investment strategies client selected.

After reviewing and approving an investment proposal, the client, with the representative's assistance, opens an account and signs a brokerage account agreement, a disclosure form and an investment advisory agreement authorizing management of the account in accordance with the terms and conditions of the program. Primary responsibility for the day-to-day supervision of the STIS representative lies with the representative's supervising principal, who reviews and accepts new accounts.

STIS receives a quarterly investment performance report ("Quarterly Report") for each client. STIS will provide the Quarterly Report to client upon request. This is a detailed report on the client's assets invested in the Service, including performance data for the most recent quarter, year-to-date and since-inception-to-date. The Quarterly Report includes:

- Market Commentary
- Current Account Holdings
- Account Performance
- Transaction Detail

STIS believes this information is reliable; however, STIS will not independently verify the accuracy of any information in a Quarterly Report.

STIS acts as overlay manager or portfolio manager for the AMC Pinnacle program. The Program is based on portfolio models of select non-affiliated providers, mutual fund shares and ETFs.

### **Advisory Business**

STIS acts as overlay manager and utilizes provider models, mutual fund and ETF asset allocation models in the AMC Pinnacle program. Investments in the Service are limited to equities, mutual fund shares and ETF shares. The Service has several portfolio models to help determine if the Service is suitable for the client.

### Provider Models

STIS has agreements with third-party non-affiliated providers for their investment models. These providers do not receive information regarding your identity, circumstances, financial condition, portfolio holdings, tax situation, regulatory status or financial needs or goals. Except for the provision of the relevant investment model(s), a provider has no obligation for the provision of advice specifically to you. Providers are not responsible for determining the appropriateness or suitability of investment model(s), or of any of the securities included from time to time in the investment model(s) for any client specifically.



When a provider makes model portfolio changes, the provider may notify STIS, or its designee, after the provider has effected changes in its clients' accounts. Once STIS, or its designee, is notified of the model portfolio changes, STIS will cause corresponding changes to client portfolios at its sole discretion. STIS reserves the right to not accept a particular provider recommendation. For example, if a security is subject to a client's restrictions, STIS, or its designee, will not purchase that security for the affected client's account.

As a result of the timing of model change notifications and STIS', or its designee's, processes, providers may effect trades on behalf of their clients' accounts before STIS, or its designee, effects corresponding trades in its clients' accounts. Therefore, in connection with model portfolio changes, due to the potential for the markets to react to the trades effected by the providers, clients may be at a disadvantage when compared to provider's clients with respect to such trades.

#### Client Restrictions

Clients may put reasonable restrictions on the investments in their AMC Pinnacle program account. If a restriction request is overly broad so as to make it impossible to manage an account according to the investment strategy of the account, STIS' adviser will work with the client to determine a potential alternative.

#### STIS' Portfolio Management

STIS provides portfolio management services for the AMC Pinnacle program, not the firm's IARs. The firm receives a portion of the Program Fee for its services.

#### Other

STIS does not have any soft-dollar arrangements.

#### **Methods of Analysis, Investment Strategies and Risk of Loss**

STIS has contracted with an affiliate, SunTrust Banks, to provide the initial and on-going due diligence on the managers of the models as well as the models, mutual funds and ETFs used in the Service. STIS' IPC has the authority to approve or reject the recommendations made by SunTrust Banks.

Investing involves risks, including fluctuating returns and potential loss of principal that clients should be prepared to bear.

Mutual Funds: Mutual Fund values will fluctuate so that an investor's shares, when redeemed may be worth more or less than their original cost. Client should carefully review the fund prospectus and consider the investment objectives, risks and charges and expenses of the investment company carefully before investing.

Money Market Mutual Funds: An investment in a money market mutual fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Although the funds seek to preserve the value of client's investment at \$1.00, it is possible to lose money by investing in these funds.

Exchange Traded Funds: Exchange-Traded-Funds (ETFs) values will fluctuate so that an investor's shares, when sold, may be worth more or less than their original cost. Investors should consider the investment objectives, risks and charges of an ETF carefully before investing. Please read the prospectus carefully prior to investing.

There is no guarantee that a client's investment objectives will be achieved.

### **Voting Client Securities**

STIS will vote proxies. STIS' Proxy Committee includes members from the firm's Investment Policy Committee ("IPC") and is responsible for establishing policies and procedures designed to enable STIS to ethically and effectively fulfill its fiduciary obligation to vote all applicable proxies on behalf of the Client accounts and funds.

Annually (or more often as needed), the Proxy Committee will review, reaffirm and/or amend guidelines, strategies and proxy policies for all client accounts.

Although STIS does its best to alleviate or diffuse known conflicts, there is no guarantee that all situations have been or will be mitigated through proxy policy incorporation. STIS and several of its affiliates conducted reviews of established service providers including size, experience and technical capabilities. STIS contracted with Glass Lewis & Co. as its agent to provide policy recommendations, vote firm proxies, assist us with certain administrative, clerical, functional recordkeeping and support services related to the firm's proxy voting processes/procedures, which include, but are not limited to:

1. Access to proxy research,
2. Custom policy recommendations,
3. The collection and coordination of proxy material from the custodian for each STIS Client's account(s),
4. Proxy voting, reconciliation, and disclosure for each of STIS' Client's account(s), in accordance with STIS' proxy policies and the Proxy Committee's direction,
5. Required record keeping and voting record retention of all STIS proxy voting on behalf STIS' Clients.

Due to its diversified client base, numerous product lines, and affiliation with SunTrust Banks, Inc., and its subsidiaries, the Proxy Committee may determine a potential conflict exists in connection with a proxy vote based on the SEC guidelines. In such instances, the Committee will review the potential conflict to determine if it is material.

Examples of material conflicts of interest which may arise could include those where the shares to be voted involve:

1. Common stock of SunTrust Banks, Inc., The Coca-Cola Company, Inc., and/or other public corporate issuers with which either STIS or SunTrust Banks, Inc. or its affiliates, may have a similar significant ongoing non-investment management associated relationship.
2. An issuer with a director, officer or employee who presently serves as an independent director on the board SunTrust Banks, Inc. or any of its affiliates.
3. An issuer having substantial and numerous banking, investment, or other financial relationships with STIS, SunTrust Banks, Inc. or its affiliates.
4. A director or senior officer of STIS or SunTrust Banks, Inc. serving on the board of a publicly held company.
5. A direct common stock ownership position of five percent (5%) or greater held individually by STIS, or in conjunction with STIS and SunTrust Banks, Inc. and/or its affiliates.

Although STIS utilizes a pre-determined proxy voting policy, occasions may arise in which a conflict of interest could be deemed to be material. In this case, the Proxy Committee will determine the most fair and reasonable procedure to be followed in order to properly address all conflict concerns. The Proxy Committee may employ one or more of the options listed below:

1. Retain an independent fiduciary to vote the shares.
2. Send the proxy material to the client so he or she may vote the proxies.

To obtain a copy of the complete proxy voting policies and procedures, or information about how STIS voted your proxies, please contact: SunTrust Investment Services, Inc. Attn: Mr. Will ORielly, 303 Peachtree Center Avenue, SunTrust Garden Offices, Suite 140, Atlanta, GA 30303, by telephone at 800-874-4770, Option 7, 7, 2, or via e-mail at: [Will.ORielly@suntrust.com](mailto:Will.ORielly@suntrust.com).

#### **Client Information Provided to Portfolio Managers**

Once the new account paperwork is approved, STIS submits the documentation, including the client profile that identifies the client's goals, risk tolerance, time horizon, financial situation and other factors to the administrator for inclusion in the Program.

Updates or changes to client information, including financial information, objectives, risk tolerance, among other items, are communicated to the administrator for system updates.

#### **Client Contact with Portfolio Managers**

AMC Pinnacle clients generally interact directly with STIS personnel.

#### **Additional Information**

##### **Disciplinary Information**

###### 5/17/05 Securities and Exchange Commission File Number: 3-11924, Cease-and-Desist and Censure

The SEC alleged that between 2001 and 2002, STIS sold class A share mutual funds without providing certain customers with reductions on front-end loads or sales charges. Without admitting or denying the allegations, STIS consented to the findings, to the entry of a censure and cease-and-desist order and to refund break point discounts along with prejudgment interest to certain customers STIS identified in a self assessment and to make written notice to all customers who purchase class A mutual fund shares from STIS from 1/1/99-12/31/03.

###### 6/29/05 NASD Case Number: 20042000229-01, Monetary Fine: \$15,000 and Censure

STIS submitted a Letter of Acceptance, Waiver and Consent ("AWC") in which the firm was censured, fined \$15,000 and required to revise its written supervisory procedures regarding compliance and applicable securities laws and regulations and rules relating to Trade Reporting and Compliance Engine ("TRACE") securities. TRACE facilitates the mandatory reporting of over the counter secondary market transactions in eligible fixed income securities. Without admitting or denying the allegations, STIS consented to the described sanctions and to the entry of findings that it failed to report transactions in TRACE-eligible securities in a timely fashion, that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws and regulations, and NASD rules relating to TRACE reporting.

8/7/06 NASD Case Number: EAF0401290001, Monetary Fine: \$150,000 and Censure

STIS submitted a letter of AWC in which the firm was censured and fined \$150,000. Without admitting or denying the findings, STIS consented to the described sanctions and to the entry of findings that it failed to retain emails in compliance with the three-year retention requirement of Section 17(a) of the Securities Exchange Act of 1934 and SEC rule 17a-4.

7/30/07 Maryland Securities Commission Case Number: FA 2000-2028; 2006-043, Monetary Fine: \$4,500.

Maryland Securities Commission alleged that STIS investment advisory representatives were not properly registered with the State of Maryland. STIS refunded advisory fees equal to amount allocated to the investment advisory representative for the period of time that a STIS employee was not registered as an investment advisory representative in Maryland, agreed to follow compliance policies and procedures designed to prevent any future unregistered investment adviser representative activities and paid a fine of \$4,500.

10/15/08 FINRA Case Number: E072005012301, Monetary Fine: \$700,000 and Censure

FINRA alleged that STIS violated NASD Conduct Rules 2110, 2440, 3010, 3010(A) and (B) in that STIS failed to maintain an adequate supervisory system including written procedures, reasonably designed to review and monitor its fee-based brokerage business, and STIS failed to establish and maintain a supervisory system including written procedures reasonably designed to achieve compliance with FINRA's fair pricing rule. Without admitting or denying the findings, STIS consented to the findings and agreed to issue refunds plus interest in the aggregate amount of \$713,362 to identified customers who paid fees and/or commissions.

7/22/10 FINRA Case Number: 2006007105102, Monetary Fine: \$900,000 and Censure

FINRA alleged violations of NASD Conduct Rules 2110, 2310 and 3010. Specifically, FINRA alleged that STIS, through two former brokers, recommended unsuitable short-term unit investment trusts ("UIT"), closed end funds ("CEF") and mutual fund transactions and recommended unsuitable transactions on margin; that STIS failed to supervise two brokers, and that STIS failed to ensure that customers received the most favorable sales charge discounts on certain UIT purchases. In addition, FINRA alleged that STIS lacked adequate systems and procedures relating to UITs, CEFs and margin accounts. Without admitting or denying the allegations, STIS settled the matter by agreeing to the entry of FINRA's findings, to a censure and to a monetary fine of \$900,000, disgorgement of \$223,997 in commissions, and to the repayment of \$539,371.28 plus interest for applicable rollover or exchange discounts to 17 customers.

7/26/11 FINRA Case Number: 20080106036101, Monetary Fine: \$400,000 and Censure

FINRA alleged that STIS violated NASD Conduct Rules 2210, 2211 and 2110 and MSRB Rule G-21 by using materials with customers and prospective customers that were not fair and balanced and did not provide a sound basis for evaluating the facts in regard to purchases of auction rate securities (ARS), including the failure to adequately disclose the risks of investing in ARS such as the risk that ARS auctions could fail, that investments in ARS could become illiquid and that customers might be unable to obtain access to funds invested in ARS for substantial periods of time; and further alleged that STIS violated NASD Rules 2110 and 3010 and MSRB Rule G-27 by failing to establish and maintain procedures that were reasonably designed to ensure that it marketed and sold ARS in compliance with the federal securities laws and applicable NASD and MSRB rules, including, that it failed to maintain procedures reasonably designed to ensure that its registered representatives accurately described ARS to customers, that representatives failed to provide customers with adequate disclosure of the risks of ARS and failed to adequately train representatives about the characteristics of ARS and the differences between ARS and other investments. Without admitting or denying the findings, STIS consented to the described sanctions and findings; it completed a voluntary repurchase of ARS from certain customers and agreed to continue to make its best efforts to provide liquidity to all other customers who were not eligible for the voluntary repurchase and to arbitrate claims for consequential damages filed by eligible customers relating to the ARS through a Special Arbitration Program (SAP) in accordance with FINRA rules.

## Other Financial Industry Activities and Affiliations

SunTrust Investment Services, Inc. ("STIS") is registered as a broker-dealer under the Securities Exchange Act of 1934. The principal business of STIS is that of a registered securities broker-dealer. STIS and its registered representatives spend the majority of their time selling investment products customarily associated with those of a broker-dealer while acting in their registered representative capacity. Less than 30% of their time is spent on providing investment advisory services. IARs may also be Licensed Insurance Agents and sell fixed and variable annuities, as well as life insurance products through either STIS or SunTrust Insurance Services, Inc.

STIS has entered into a certificate of deposit selling group agreement with an affiliated broker-dealer, SunTrust Robinson Humphrey, Inc. ("STRH"). Under the agreement, STIS will offer to its clients individual time deposits, including deposit notes and certificates of deposit (collectively referred to as "CDs") of federally insured depository institutions ("Issuers"), including SunTrust Bank, an affiliate of STIS. IARs may recommend fee-based CDs to their clients. STIS does not receive any compensation relating to the distribution of the CDs. SunTrust Robinson Humphrey, Inc., an affiliated broker-dealer, structures the CDs and is compensated by the Issuers, including SunTrust Bank, for their services. The Issuer receives the proceeds from the offerings.

STIS has entered into a solicitor agreement with an affiliated investment adviser, RidgeWorth Capital Management, Inc. ("RidgeWorth"). Under the agreement, STIS IARs solicit clients for RidgeWorth's advisory services and STIS receives compensation for the solicitations. STIS also has a services agreement with RidgeWorth for various services that STIS provides to shareholders of RidgeWorth Funds which are advised by RidgeWorth. These services may include 1) shareholder record keeping and account services, 2) providing information to our clients regarding the funds, and 3) recommending shares of the funds for investment. STIS may also provide other services not listed here which are beneficial to the funds. These fees are paid from RidgeWorth's corporate funds.

STIS has the following agreements with SunTrust Bank, an affiliate of STIS that routinely and primarily engages in offering deposit, lending and other services customarily associated with those of a commercial bank:

**Networking Agreement:** Under this agreement, STIS representatives are dually employed by STIS and the SunTrust Bank and offer investment products and services to SunTrust Bank clients.

**Administration and Operational Services Agreement:** Such items as business insurance, facilities management allocation, audit/internal control and human resources allocations, among other items are provided to STIS by SunTrust Bank at lower costs than could be provided by external vendors.

**Solicitation Agreement:** Under the agreement, STIS may refer clients to SunTrust Bank for investment advisory or asset management services.

**Referral Incentive Plan:** Under the plan, SunTrust Bank employees are paid a nominal referral fee by the SunTrust Bank for making general referrals of customers to STIS. Such referrals may result in a client opening an account and/or the purchase of other securities. However, the payment of the referral is not conditioned on the opening of any account. STIS reimburses the SunTrust Bank for the referral fees the Bank pays.

**Investment Management and Due Diligence Agreement:**

***AMC Fund Select Advisor, AMC Fund Select Tactical, AMC Premier and AMC Pinnacle Programs:*** Under the agreement, SunTrust Bank will construct and maintain on a continuous basis one or more model portfolios (each, a "Model Portfolio") meeting the investment objectives for the Model Portfolio, to be utilized by STIS in

the investment of certain assets of clients for whom a SunTrust Bank Model Portfolio has been selected. SunTrust Bank will provide discretionary investment advisory services to STIS by providing STIS with investment recommendations for each Model Portfolio and/or Asset Allocation Model in accordance with the investment objectives and strategies and/or risk tolerance for each such Model Portfolio and/or Asset Allocation Model. SunTrust Bank will also provide initial and ongoing due diligence with respect to sub-advisers, Model Portfolio managers, and their models, mutual funds and ETFs in the AMC Fund Select Advisor, AMC Fund Select Tactical and AMC Pinnacle programs.

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

### *Code of Ethics*

STIS has adopted a Code of Ethics ("Code") for its advisory business which is intended to reinforce the fiduciary principles that govern the conduct of the firm and our personnel. This Code sets the standards of conduct expected of our advisory personnel, safeguards to material nonpublic information about client accounts and transactions and requires certain personnel to report their personal securities transactions. A copy of the STIS Code is available upon request from any STIS IAR.

### *Participation in Client Transactions*

STIS and our investment personnel may recommend securities in which we or our investment personnel or employees have a financial interest or control relationship directly or indirectly, and we or our investment personnel may buy and sell securities that we or they recommend to advisory clients for purchase and sale. They may also give advice and take action in the performance of their duties to clients that differs from advice given, or the timing and nature of action taken, with respect to other clients' accounts.

### *Personal Trading*

Personal securities transactions by STIS employees or transactions for the firm's affiliates may raise potential conflicts of interest when a security is traded that is 1) owned by client or 2) considered for purchase or sale for client. STIS has, as part of its internal compliance program, adopted policies and procedures which impose certain rules and restrictions as to transactions for the firm's account and for the accounts of employees and affiliates. Such policies and procedures are designed to prevent improper or unethical conduct whenever a potential conflict of interest may arise. Personal trading by our employees must be conducted in compliance with all applicable laws and procedures.

As a broker-dealer, STIS maintains an investment account to meet its net capital requirement. This account is invested in U.S. Treasuries and a high quality money market fund in which clients may also invest; however, due to the nature of these investments, and the fact that none of our affiliated entities are involved in their underwritings, there are no conflicts of interest.

STIS performs for other clients services similar to those that are provided to the Service client, as well as other types of investment related services. STIS may take actions and give advice that may differ from the advice given, or in the timing and nature of the action taken, with respect to the account of an AMC Pinnacle client. STIS, nor anyone associated with them, has any obligation to make or refrain from making to an AMC Pinnacle client recommendations, purchases, sales, or transfers of any investment that may be purchased or sold for any other client or for the benefit of anyone associated with them. Transactions in any specific investment may be executed at different times and prices for different clients. STIS may utilize different schedules as they relate to fees for the Service; therefore, the costs of obtaining services similar to AMC Pinnacle may be more or less than those charged to other clients of STIS.

STIS IARs may not purchase or recommend the purchase of securities issued or guaranteed by SunTrust Banks, Inc. or purchase or recommend the purchase of securities issued by The Coca Cola Company.

SunTrust Bank, its affiliates and their employees may make political and charitable contributions to various persons and organizations. The ensuing goodwill may result in added business to STIS.

#### **Review of Accounts**

Supervisory reviews are conducted by the firm's Central Supervision Group, which consists of a Group Supervisory Specialist Manager, three Group Supervisory Specialist ("GSS") Team Leads and 20 to 22 Group Supervisory Specialists who report to their respective GSS Team Leads.

Each GSS Team Lead and their GSS Team are responsible for reviewing AMC program account opening documentation, trading within each account and the annual review process, among other items for their designated areas. The firm utilizes a surveillance program that the GSS' use to monitor the trading in AMC Fund Select Advisor accounts via alerts and filters on a daily basis.

Clients receive written confirmations from NFS when a trade is executed in their account and may elect to receive such confirmations electronically; however, clients will have the option of waiving receipt of separate transactional confirmations in exchange for a quarterly compilation of all transactions. Clients only receive monthly written statements from NFS if there has been activity in their account otherwise the client confirmations of specific transactions and receiving that information on a periodic basis.

STIS receives a quarterly brokerage statement and may elect to receive such statements electronically. Such statements reflect the activity in the account during the specific time period.

Co-Sponsor will prepare Quarterly Reports which compares the client's account to leading securities market indices. STIS relies on information provided by third parties, such as recognized independent quotation and valuation services. STIS believes that this information is reliable; however, STIS will not independently verify the accuracy of the information provided by these services. A copy of the Quarterly Report will be sent by STIS to client upon request. If the client chooses to receive Quarterly Reports, they will be available to the client following the end of each calendar quarter during which the account is open. Clients will not be charged a fee in addition to the Program Fee described below if they choose to receive Quarterly Reports. Clients should compare their Quarterly Report information to their monthly or quarterly account statements from NFS and should report any discrepancies to their STIS IAR.

#### **Payment for Client Referrals**

SunTrust Bank employees are paid a nominal referral fee for making general referrals of customers to STIS. **See Other Financial Industry Activities and Affiliations, Referral Incentive Plan, above for details.**

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