

FIRST TENNESSEE ADVISORY SERVICES, INC. PART 2A FORM ADV THE BROCHURE

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This brochure provides information about qualifications and business practices of First Tennessee Advisory Services, Inc. (“FTAS”). If you have any questions about this brochure, contact us at (901) 818-6000.

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. Additional information about FTAS is available on the Securities and Exchange Commission website at www.adviserinfo.sec.gov.

References to FTAS as a “registered investment advisor” or as being “registered” does not imply a certain level of skill or training.

(Item 2) SUMMARY OF MATERIAL CHANGES

In this “Summary of Material Changes” section, we discuss only the material changes made to Part 2A Form ADV – Firm Brochure since the last update of the Firm Brochure in May, 2011. This March 30, 2012 Firm Brochure contains no material changes to the May, 2011 Firm Brochure.

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(Item 4) ADVISORY BUSINESS

FTAS was organized in 2007 as a wholly owned subsidiary of First Tennessee Bank National Association (“FTB”). FTB is a wholly owned subsidiary of First Horizon National Corporation (“FHNC”), a financial services holding company. FHNC is a publically held company.

Investment management services provided by FTAS include the following:

- Managed Account Solutions Program (“MAS Program”) including the following account options:
 - S FTAS Model Portfolio Accounts
 - S Adviser Model Managed Accounts
 - S Adviser Directed Unified Managed Accounts
 - S Separately Managed Accounts
- Pension Consulting Services
- Investment Advisory/Consulting Services

The MAS Program is a wrap account program which includes the various investment management account options identified above. FTAS is the MAS Program sponsor and Envestnet Asset Management, Inc. (“Envestnet”) provides certain investment management and administrative services for the MAS Program. MAS Program clients receive a separate wrap fee brochure which describes the MAS Program account options and other important information.

Pension Consulting Services are provided to pension plans including ERISA plans, government plans, and church plans. These services are generally provided on a non-discretionary basis. Pension Consulting Services may include:

- recommendations of investment managers for management of plan assets
- recommendations of registered investment companies to be used as investment options for the plan
- recommendation of plan service providers
- ongoing review and reporting concerning selected investment managers, investment options, and/or service providers
- employee education and plan enrollment services

Investment Advisory/Consulting Services are provided on a discretionary or non-discretionary basis. Unless otherwise specified in the client agreement, these services involve providing continuous investment advice. Services for a client may include a review of the current investment portfolio and a consultation to understand current financial situation, investment objectives and recommendations for the client to consider. FTAS develops an investment policy for the client, recommends an asset allocation, selects securities or managers, and conducts research and risk analysis for the client’s portfolio. Where FTAS recommends investment managers for an account, the arrangement may be provided through a sub-manager relationship with FTAS, or the client may enter into a separate investment management agreement with the

investment manager. Under a sub-manager arrangement, FTAS has authority to terminate a sub-manager and to replace the current sub-managers with another sub-manager.

Advisory/Consulting Services and Pension Consulting Services are tailored to meet the specific needs of a client. These needs are outlined in a written Investment Policy Statement for the account or identified in the agreement between the client and FTAS for the services. A client may impose restrictions on investing in certain types of securities.

FTAS provides continuous and regular supervisory or management services on both a discretionary and non-discretionary basis. Total assets managed on a discretionary basis as of December 31, 2011 were \$2,543,239,623. Total assets managed on a non-discretionary basis were \$357,779,999 as of December 31, 2011.

(Item 5) FEES AND COMPENSATION

Advisory/Consulting Services and Pension Consulting Services may be provided for a fixed fee for one time review concerning investment options or plan service providers. This fee is stated in the consulting contract and is negotiable. The factors considered in determining the fee include the estimated time involved, scope of the services requested and resources utilized to deliver services. Fixed consulting fees are typically billed to client upon completion of the services.

Services which include ongoing monitoring or periodic review of investment managers or investment options are provided for an annual fee based upon the market value of the plan or account assets. Annual fees for these services range from .25% to 1.25%, but these fees are negotiable. The factors considered in determining the fee include the number of managers involved, total plan or account assets, and resources required to provide the services. These fees are billed quarterly in arrears, and are calculated by FTAS based upon the market value of the plan or account assets as of the last business day of the quarter. The market value of the plan or account assets for purposes of calculating the fee is determined by the custodian or as otherwise agreed to by the client and FTAS in the services agreement.

Other Charges and Expenses. The fees charged for investment management services do not cover certain charges associated with securities transactions in clients' accounts. See the "Brokerage Practices" section of this Brochure. The fees also do not include the internal charges and fees that may be imposed by mutual funds and closed-end funds, unit investment trusts, exchange-traded funds or real estate investment trusts. Mutual fund fees include operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses. Information regarding these mutual fund fees may be found in the appropriate prospectus or offering document or other regulatory filings. FTAS has not entered into any agreements to receive mutual fund fees.

The fees do not cover custodial fees that may be charged to clients by the custodian. A custodian may charge a minimum account fee. Clients also may be charged for specific account services, such as transfers, electronic fund and wire transfer charges, and for other optional services elected by clients. Fees do not include account service fees such as individual retirement account

(“IRA”) trustee or custodian fees and tax-qualified retirement plan account fees and annual and termination fees for retirement accounts (such as IRAs).

(Item 6) PERFORMANCE BASED FEES

FTAS does not charge any performance based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

(Item 7) TYPES OF CLIENTS

FTAS investment advisory services are available to individuals, high net worth individuals, financial institutions, pension and profit sharing plans, charitable organizations, corporations, or other business entities, and trusts or estates.

The minimum market value of an account to obtain Advisory Services utilizing individual fixed income securities is \$100,000.

(Item 8) METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Investment Philosophy. FTAS’ investment philosophy is designed around the client’s goals, objectives and risk tolerance. It is subject to relevant constraints as determined by the client and may include liquidity needs, tax considerations, timing of expected cash flow events as well as legal considerations. The firm’s philosophy seeks to diversify investments across asset classes, asset locations and management styles with no biases in any areas. FTAS believes that most investment programs should begin with a comprehensive needs analysis and risk budgeting assessment.

FTAS also believes that capital markets are long term efficient. For that reason, the firm generally advocates that long term investors develop strategic asset allocations and stick with them avoiding the temptation to time the market.

Methods of Analysis – Investment Strategies. FTAS’ Investment Committee (“IC”) sets the broad investment policy based on the firm’s investment philosophy and target markets. Areas considered include asset class selection, creation and maintenance of approved and prohibited investments, establishment of concentration and liquidity guidelines as well as the firm’s policy with respect to the use of leverage, derivatives and short sales. FTAS believes that some market environments are more favorable for investing in equities than others. FTAS has identified five factors that it believes, in an aggregate framework can help investors to think about the appropriate exposure to equities relative to their long term strategic allocation. Those factors are the global macroeconomic background; the trend of the market; liquidity conditions; market psychology; and, fundamental valuations.

In light of the five factor framework the IC will review annually historical asset class returns, volatilities and correlation figures. It will then review expected asset class returns from a variety of resources. Based on this review, our strategic asset allocations may be modified. Taken

collectively, FTAS believes that these five factors can help to inform tactical decisions within a long term strategic asset allocation. FTAS does not advocate market timing for the sake of short term gains and losses, but is respectful of the market environment and the risks it creates for equity ownership.

Methods of Analysis – Product Selection. To apply proper diversification, FTAS considers various investment categories including separate account managers, no-load mutual funds, individual large capitalization core stocks and individual investment grade and government bonds, exchange traded funds, as well as hybrid mutual funds, structured equity funds, real assets, hedge products and other alternative investment products.

FTAS reviews investments using the most recent economic, market and behavioral data. The firm uses both internal and external sources for macro-economic input as well as industry and sector input, institutional research firms and individual analysts. FTAS also uses a series of data bases of mutual funds and separate account managers, style analysis software, and performance analysis software. All information sources and programs utilized are recognized as leading industry tools with clearly defined peer groups and style defined indices.

Initial Selection. The firm's analysis includes both quantitative and qualitative criteria. Initial cuts are made to ensure experienced managers with a proven performance record, stable firm, and expenses in line with industry averages. Next, a more thorough evaluation of performance against relevant benchmarks and peer groups including annualized, calendar year, and rolling returns is conducted. A style analysis review is performed to help determine a history of consistency in the fund's investment philosophy. Attribution analysis is used to ensure the portfolio is reasonably diversified. A risk analysis utilizing Modern Portfolio Theory ratios is also performed. FTAS' proprietary method of analysis includes a mathematical assessment as well as the experienced judgment of the IC membership. Qualitative analysis includes such areas as management and financial stability and regulatory infractions.

Ongoing Oversight. As part of the regular due diligence, FTAS reviews the factors listed above to identify the development of unfavorable trends over time. The IC uses a four category rating system for list funds: "Buy", "Watch", "Sell", and "Hold".

If an unfavorable trend has been identified, the IC will initiate an analysis to determine what actions, if any, need to be taken. The IC also considers opportunity costs when initiating such changes.

Fixed Income. For clients with \$100,000 or more allocated to fixed income, FTAS will construct customized portfolios with individual bonds utilizing the following broad guidelines. The fixed income process is focused on issue selection. Depending on whether the portfolio is taxable securities or municipal bonds, FTAS selects securities that meet the quality and maturity criteria established for the individual client portfolio. The firm may also use exchange traded funds or mutual funds to gain exposure to specific market segments that would be difficult to achieve with individual securities. Criteria are established for each client based on the portfolio goals, risk profile and tax bracket. The structure of the portfolio is then adjusted based on the evaluation of current and expected interest rates taking into account economic conditions such as monetary policy, fiscal policy, economic strength, and inflation. The combination of economic

conditions and client specific requirements is incorporated into a plan which specifies target duration, average maturity and quality profile.

FTAS monitors the firm's credit quality of account holdings. If there is significant deterioration of the credit quality, the firm will assess the long term implications and respond accordingly. FTAS will also, where appropriate, make adjustments to the portfolio structure based on changes in market conditions or client circumstances.

Equities. For clients who desire exposure to individual equities, benchmarked to the S&P 500, FTAS offers a portfolio of approximately 50 stocks that is designed to be S&P 500 sector neutral. The securities are selected based on their ability to generate cash flow return on investment in excess of their weighted average cost of capital adjusted by their inflation adjusted capital base. The software utilized to rank the securities and create the portfolios is provided by a third party vendor.

In addition to the general risks of investing outlined below, investing in individual equities introduces idiosyncratic, or specific company risks to an investor's portfolio. The equity software vendor reviews the portfolio on an ongoing basis to determine if quantitative and/or qualitative changes warrant selling a stock from the portfolio holdings.

Risk of Loss. Investing in securities involves risk of loss of principal that a client should be prepared to bear. Other risks that a portfolio may carry include:

- Underperforming a benchmark
- Reinvestment risk
- Inflation risk
- Not meeting financial objectives such as, retirement income and college financing

Equity investments can experience volatility with market fluctuations. While diversification may mitigate these risks, extreme markets can often result in a loss of principal. Typically, large capitalization stocks are viewed as less volatile than smaller and mid capitalization stocks. A large portfolio of stocks such as in a mutual fund or ETF is also viewed as less volatile than holding a few stocks. Regardless, in a volatile market if a sale of these securities is necessitated by an unforeseen event, a loss of principal can result.

Fixed Income investments include a wide range of securities with an equally wide range of risk levels. Risk in fixed income securities comes from several sources including default risk, interest rate risk and inflation risk.

Default risk is the risk that the issuer of the bond does not make good on its obligation to pay periodic interest payments or principal at maturity. Obligations of investment grade corporations (and state and local governments) are not free from default risk, but that risk is viewed as being lower. Below investment grade bonds, i.e. junk bonds are considered speculative in nature.

Interest Rate Risk. Fixed Income securities also have interest rate risk; their market prices fluctuate up and down inversely with the prevailing interest rates. Notes and bonds purchased when interest rates are low can lose market value if interest rates rise prior to their maturity

dates. As with stocks, if a sale of the bond is necessitated by an unforeseen event, a loss of principal can result. The longer the maturity of the bond held, the greater their interest rate risk.

Inflation Risk. The inflation risk associated with bonds is two fold: the potential loss of purchasing power plus the potential for inflation to result in higher market rates of interest. As explained above, this causes the market price of a bond to decline.

Some ways a portfolio manager can help to mitigate bond risks include use of high credit quality bonds, investing in bonds with short to intermediate terms and keeping turnover rates low.

Alternative securities often carry liquidity risk as well as the risk of loss of principal. Liquidity risk means an inability to sell the security should essential cash needs arise.

(Item 9) DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any disciplinary events that would be material to a client's evaluation of FTAS and its investment staff or the integrity of FTAS management. FTAS has no information applicable to this Item.

(Item 10) OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

FTAS executive officers, its director, members of its Investment Committee and all FTAS investment advisory representatives, are registered representatives of First Tennessee Brokerage, Inc. ("FTBR"), a registered broker-dealer and a wholly owned subsidiary of FTB. FTAS provides advisory services to FTB customers at FTB financial center locations. FTB or its holding company provides certain support services to FTAS, including accounting, payroll, legal and administration services.

Investment adviser representatives of FTAS are also registered representatives of FTBR ("Investment Officers"). Compensation arrangements for products and services available through FTBR and fees and expenses associated with products and services available through FTBR are different from compensation arrangements and fees and expenses associated with products and services available through FTAS. Thus, an Investment Officer may have an incentive to recommend products or services from one entity over another entity. FTAS manages this potential conflict by conducting initial and periodic account reviews to determine that products and services recommended to clients are suitable for the client's investment needs. FTBR may provide brokerage services and custody services for certain client accounts through its clearing arrangement with National Financial Services LLC ("NFS"). When a client directs its brokerage services to FTBR, FTAS discloses to the client in the account opening documentation that by directing brokerage to FTBR, the client forgoes any benefits in price or quality of execution which may be obtained when a manager for an advisory account has discretion to select the executing broker for account transactions. FTAS regularly monitors execution price and quality of trades for its accounts.

FTB may provide custody services for client accounts through its trust division. A client executes a separate agreement with FTB for custody services and is charged a separate custody fee.

See also the “Brokerage Practices” section of this Brochure.

(Item 11) CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

FTAS has adopted a Code of Ethics (the “Code”) which establishes standards of fiduciary conduct for its employees, including standards that apply to personal securities transactions. The Code requires compliance with policies concerning use and disclosure of non-public information and maintaining the confidentiality of customer information.

The Code also requires that certain officers of FTAS and employees who provide investment advice to customers to report their securities transactions quarterly to a designated compliance officer and to provide an annual holdings report as well. These persons also may not acquire securities in an IPO or private placement without obtaining prior approval from the designated compliance officer; may not execute a transaction for their own account until any orders for the same security for an advisory client’s account has been executed or withdrawn; may not recommend a security transaction for an advisory account without disclosing certain personal interest in such securities; and must receive prior approval from the designated compliance officer to serve as a director of a publicly traded company.

FTAS will provide a copy of its Code of Ethics to any client or prospective client upon request.

(Item 12) BROKERAGE PRACTICES

FTAS does not have any arrangements with broker-dealers whereby it obtains research or other products or services in connection with client securities transactions.

FTAS does not select broker-dealers to execute individual equity security transactions. FTAS requests that a client direct brokerage for individual equity transactions to a specified broker-dealer. FTAS will recommend that a client use FTBR for execution and custody services where the account will be invested in individual equity securities. When a client directs brokerage to FTBR, FTAS discloses the relationship between FTBR and FTAS. FTAS also discloses to the client that the client may not receive benefits in price or quality of execution which may be obtained when the investment adviser has discretion to select the execution broker.

FTB, the parent company of FTAS, has entered into an arrangement whereby it obtains research products and services from a broker-dealer in connection with securities transactions executed by the broker-dealer for fiduciary accounts of FTB. Those products and services include subscriptions or other access to research on equity securities, mutual funds, and credit markets, securities pricing, market indices and other economic and securities market research. These research services are made available to FTAS by FTB. FTAS uses these services in managing all client accounts, including fiduciary accounts that FTAS manages on behalf of the Bank.

When a client utilizes one or more separate account managers, FTAS will generally recommend that the client use FTB as custodian. The relationship between FTB and FTAS is disclosed to the client.

FTAS does not aggregate orders for client accounts.

(Item 13) REVIEW OF ACCOUNTS

Account Reviews. All accounts are reviewed prior to account opening to confirm that recommendations for the account are consistent with the client's investment objectives and risk tolerance. Advisory accounts are monitored on an ongoing basis. Significant market events and credit conditions are all factored into the analysis. Mutual funds are reviewed monthly and Sub-Managers are reviewed at least annually by the IC. If a fund or manager is removed from the IC approved list, the portfolio manager is notified and will make appropriate adjustments to the account. Likewise, if the IC makes changes to the target allocation for an asset class, the portfolio manager will make appropriate adjustments. At least annually, the portfolio manager meets with his/her clients to determine if any changes have taken place which require a change in the client's investment policy. If so, the asset allocation and investment products will be reviewed to determine if changes are appropriate.

For Pension Consulting Services, mutual funds and managers are reviewed in accordance with the consulting agreement with the client.

Reports. For Pension Consulting Services accounts, reports will be provided as described in the consulting agreement with the client.

For Advisory Services, all clients receive a quarterly performance report with a breakdown of investments held, gains, losses, and current market value. Drift reports are produced at least quarterly that reflect out of balance positions for rebalancing. These reports are reviewed by members of the IC as well as individual portfolio managers.

(Item 14) CLIENT REFERRALS

FTB may pay a referral fee to FTB personnel for referring a particular client to FTAS. FTAS may pay a referral fee to FTBR or FTB personnel for referring a particular client to FTAS. In accordance with the Investment Advisers Act of 1940, FTAS may pay a referral fee to third-parties who enter into a written agreement with FTAS to refer or introduce particular clients to FTAS.

(Item 15) CUSTODY

FTB, the parent company of FTAS, may provide custody services to FTAS clients who receive Advisory Services. Under the SEC rules, FTAS is deemed to have custody of accounts held by

FTB. All accounts custodied at FTB will receive account statements, at least quarterly, from FTB. FTAS does not provide a separate statement for these accounts.

(Item 16) INVESTMENT DISCRETION

If a client requests that FTAS have authority to execute transactions for a client account without the client's prior approval or to hire or terminate an investment manager without the client's prior approval, this authority will be obtained in writing from the client.

(Item 17) VOTING CLIENT SECURITIES

Clients receive proxies or other solicitations directly from the custodian or a transfer agent. FTAS generally does not provide advice to clients as to how to vote such proxies. FTAS may, on a case-by-case basis, agree to vote proxies related to mutual fund holdings. FTAS is not aware of any relationships with a mutual fund company which would create a conflict of interest. Clients can contact the President of FTAS for more information about voting proxies for mutual fund holdings.

(Item 18) FINANCIAL INFORMATION

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about their financial condition. FTAS has no financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.