



## Amegy Investments, Inc.

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# FORM ADV PART 2A CLIENT BROCHURE

Effective March 31, 2014

*This brochure provides information about the qualifications and business practices of Amegy Investments, Inc. If you have any questions about the contents of this brochure, please contact us at 713-232-6878. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC as an Investment Adviser does not imply a certain level of skill or training.*

*Additional information about Amegy Investments, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 120145.*

## Item 2 - Material Changes

This Firm Brochure, dated **03/31/2014**, provides you with a summary of Amegy Investments, Inc.'s advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following summarizes new or revised disclosures based on information previously provided in our Firm Brochure dated 03/31/2013:

There were no material changes during the last year.

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## Item 4 - Advisory Business

Amegy Investments, Inc. ("Amegy"), member FINRA/SIPC, is a registered broker-dealer, SEC-registered investment adviser, and licensed insurance agency. We offer investment products and services at select Amegy Bank N.A. banking centers. We commenced registration as an investment adviser on April 26, 2002. Our principal place of business is 4400 Post Oak Parkway, Houston, Texas 77027. Amegy's Investment Adviser Representatives ("Amegy advisers") are also registered representatives of our broker-dealer and employees of Amegy Bank.

Our principal owner is Amegy Bank National Association. Amegy Investments and Amegy Bank, a National Banking Association, are subsidiaries of Amegy Corporation which is owned by Zions Bancorporation, a publicly held company headquartered in Salt Lake City, UT. Zions Bancorporation's other subsidiary affiliates include but are not limited to several banks, a trust company, a brokerage firm Zions Direct, and Contango Capital Advisors, an SEC registered investment adviser firm.

Investment advisory services are offered within two units of Amegy: the Retirement Plan Services Group and the Private Client Investments/Personal Investment Advisers Group. As set forth in detail below, services offered through the Retirement Plan Services Group include investment supervision and pension consulting. Services offered through the Private Client Investments and Personal Investment Advisers Group includes selection and monitoring of model portfolios consisting of mutual funds and exchange traded funds.

### **DESCRIPTION OF RETIREMENT PLAN ADVISORY SERVICES (PENSION CONSULTING)**

Amegy's Retirement Plan Services Group offers products and services to business owners who sponsor qualified Retirement Plans for their employees. In exchange for a quarterly, asset-based advisory fee, we work with the client to assist with the complex world of retirement plan design, fiduciary compliance, employee education, investment selection, and investment monitoring. Our services are offered on a non-discretionary basis.

Our services include:

- (i) investment selection, monitoring and reporting services;
- (ii) design and implementation of employee enrollment and educational programs;
- (iii) assistance with compliance under ERISA; and
- (iv) plan design assistance.

As the client, you may choose to use any or all of these services.

### **Investment Policy Statement Preparation**

Amegy advisers in Retirement Plan Services will meet with you, the business owner (and Plan Fiduciary) to determine your Plan's investment needs and goals. We will then prepare a written

Investment Policy Statement (IPS) documenting those needs and goals, and encompassing a policy under which those goals are to be achieved.

The IPS will reflect:

- The Plan's investment objectives
- Criteria and procedures for selecting investment options and investment managers
- Appropriate diversification within investment vehicles
- Roles for those responsible for the Plan's investments
- Methods of monitoring performance of designated investment options
- Methods of addressing investment managers who fail to satisfy established objectives

### **Selection of Investment Vehicles**

Based on your IPS, we will review various investment options available through the investment and insurance companies with whom we partner, also referred to as Qualified Retirement Plan Providers ("QRPP"). The selected QRPP will also serve as custodian of Plan assets. And together we, the Amegy advisers and you the client, will identify and recommend which of these investments we believe are most appropriate for your Plan. Amegy advisers do not exercise discretion in the selection of Plan investments. Investment selections are ultimately determined by you, the business owner/Plan Fiduciary.

The general criteria and procedures for selecting and monitoring Plan investments are detailed in **Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss**. These may vary from the criteria and procedures ultimately chosen by you and reflected in your Plan's IPS.

### **Monitoring of Investment Performance**

Your Plan's investments will be monitored utilizing the criteria specified in your IPS. General criteria may be found in **Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss**. While short-term results are monitored, changes to investments are based on the long-term results of the Plan investments when compared with the relevant peer groups and appropriate benchmarks. Although Amegy advisers will not be directly involved in the purchase or sale of Plan investments, we will actively monitor your Plan's portfolio and make recommendations to you as market factors and the Plan needs dictate.

At least annually, Amegy advisers will prepare a performance evaluation report and perform a formal review of the Plan with you, the business owner/Plan Fiduciary. You will also receive written statements from the QRPP detailing the transactions and holdings in the Plan

### **Employee Communications**

For pension, profit sharing and 401(k) plan clients that include individual accounts with participants exercising control over assets in their own account ("self-directed plans"), Amegy may also provide periodic educational support and investment workshops designed for the Plan participants. The nature of the topics to be covered will be determined by Amegy and the client under the guidelines established in ERISA Section 404(c). These educational support and investment workshops will

NOT provide Plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

We also provide consultation on plan compliance under ERISA and general plan design. However, as reflected in your Agreement, Amegy does not act as a fiduciary with respect to ERISA compliance.

## **DESCRIPTION OF PRIVATE CLIENT AND PERSONAL INVESTMENT ADVISORY SERVICES**

The Amegy Investment Advisory Account is designed for clients of our Private Client Investments or Personal Investment Adviser Group who want individual assistance in determining an appropriate investment selection and monitoring of these investments on an ongoing basis in exchange for a quarterly, asset-based fee. Amegy provides investment advice based on personal discussions in which the goals, needs and objectives of our client are established. Investment selections are guided by your stated investment objectives and risk tolerance. Examples of investment objectives include capital preservation, tax exempt, income, growth, aggressive growth, etc.

Amegy provides investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations. The Amegy Investment Advisory Account is non-discretionary meaning that you the investor stay involved with the entire process and must authorize each purchase and sale of securities in your account prior to execution of the transaction. This includes transactions to periodically rebalance your portfolio to maintain the desired investment objective.

Prior to opening your account, your Amegy adviser will ask about your financial circumstances and goals. Such information includes but is not limited to your short and long-term investment objectives (particularly for the monies to be invested in this account), ability to tolerate risk, and when you will need access to your funds. This information is important to your Amegy adviser to assist you in selecting an appropriate investment portfolio. It will also help to determine if the asset-based fee arrangement of an Amegy Investment Advisory Account is more suitable for you than a traditional brokerage account with transaction-based commissions.

As each investor is unique, so is their rationale for selecting an advisory account or a brokerage account. Some investors have both types of accounts, depending on their needs and objectives. Following are a few indications that an investor may elect an advisory account:

- Desires ongoing professional advice in buying, holding, and selling portfolio holdings;
- May make economic sense depending upon frequency of trading. (Note: high frequency transactions are not consistent with the fiduciary aspect of an adviser/client relationship while a very long-term buy and hold strategy may actually be less expensive in a brokerage account with upfront commissions);
- Desires additional objectivity of investment advice; advisory accounts are charged a quarterly fee based upon assets in the account, not based on a specific product's commission schedule.

As previously stated, your Amegy adviser is also an Amegy Investments Registered Representative licensed to offer brokerage products and services. Amegy brokerage accounts have commissions, trading charges, and other fees in lieu of quarterly asset based advisory fees. However, as further described in **Item - 5 Fees and Compensation**, Amegy advisers and Registered Representatives receive no special compensation based on specific products or services. Instead, they are compensated with salary and incentive compensation based on revenue from all sources.

For your Amegy Investment Advisory Account, Amegy offers several taxable and tax-sensitive model portfolios to choose from. Several major asset classes – Large Cap Growth, Large Cap Value, Mid Cap Growth, Mid Cap Value, Small Cap Growth, Small Cap Value, International, Emerging Markets, Tax Exempt Bond, High Yield Corporate, Investment Grade Corporate, Treasury Inflation Protected Securities - are represented in each portfolio.

Each asset class is represented by a mutual fund or exchange-traded fund (ETF). These funds are carefully selected and monitored by Amegy according to established criteria as further described in **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**.

We offer the mutual funds at NAV (net asset value), meaning our advisory clients do not pay a front-end or back-end sales load. However, there are other fees and expenses associated with investing in mutual funds which are calculated into the performance returns for the fund and disclosed in the fund prospectus. In contrast, ETFs generally have trading costs when bought or sold (like individual stocks). They do not have the sales loads and internal expenses associated with mutual funds. The quarterly advisory fee that Amegy charges includes these ETF trading costs. Clients do not pay these in addition to the advisory fee.

As described below, Amegy's model portfolios (both the taxable and the tax-sensitive) range from very conservative to aggressive. The market volatility and potential investment risk inherent in each portfolio varies from the next, depending upon the extent to which each asset class is represented within the portfolio. If during the discussion of your financial circumstances, you and your Amegy adviser determine that, for example, you prefer less risk, you may consider investing in the Conservative or Moderate Conservative Portfolio.

Conservative Portfolio (20% Equity and 80% Fixed Income) is designed to provide stability and protection from loss to investors who either have a short time horizon and/or a primary goal of avoiding potential loss. The stability of this portfolio comes at the expense of achieving higher long-term returns.

Moderate Conservative Portfolio (40% Equity and 60% Fixed Income) seeks somewhat higher returns over the long-term. To achieve higher potential returns, some fluctuations in investment value are to be expected.

Moderate Portfolio (60% Equity and 40% Fixed Income) is designed for those who are equally concerned with risk and return. This portfolio is intended to provide returns that are expected to outpace inflation over the long-term. Those investing in this portfolio should be comfortable with fluctuations in the portfolio's value and occasional short-term losses.

Moderate Aggressive Portfolio (80% Equity and 20% Fixed Income) is designed to provide considerable wealth accumulation to investors with an intermediate to long time horizon. Those investing in this portfolio must be comfortable with more than average volatility and potential short-term losses when seeking to achieve higher returns.

Aggressive Portfolio (100% Equity) seeks substantial wealth accumulation, and its primary goal is intended for investors who have a long time horizon. Those who invest in this portfolio must be comfortable with experiencing frequent short-term loss and extreme volatility in portfolio value in an effort to achieve high returns over the long-term.

Your Amegy adviser will discuss these portfolios with you in depth prior to finalizing your portfolio selection. Part of this discussion includes a review of Amegy's written presentation showing how these portfolios are constructed and their current and prior returns. And to provide you with a perspective of how the various portfolios are performing, the presentation also compares each portfolio to a relevant market index (also known as a benchmark) such as the S & P 500 Index.

After your account is established, you will receive on a quarterly basis detailed, written statements from the custodian, Pershing LLC, reflecting your investment holdings and values, transactions, the quarterly asset-based fee, performance returns, and other important information about your account. Be sure to review your statement carefully and contact your Amegy adviser promptly with any questions.

On at least an annual basis, your Amegy adviser will contact you to review your portfolio, your financial circumstances, prevailing market conditions, and other topics of significance or concern. A primary goal of this meeting is to confirm that your portfolio holdings are consistent with your objectives and goals, and to determine if any changes have occurred or are needed.

**Amegy's Assets Under Management / Consultation as of 12/31/13**

Discretionary Assets	\$0 not applicable/firm does not exercise discretion
Non-Discretionary Assets	\$944,817,808



## Item 5 - Fees and Compensation

### RETIREMENT PLAN SERVICES (PENSION CONSULTING)

There is no minimum required for these services. The fees detailed in the table here below may be negotiable under certain circumstances. Such advisory fees are payable after the end of each calendar quarter and shall be paid to Amegy Investments. The fee for any period less than a full quarter shall be pro-rated for that period of the quarter during which the assets are under the management of Amegy. Retirement Plan Services clients are invoiced quarterly by Amegy and shall mail or deliver a check payable to Amegy Investments, Inc. Amegy does not charge clients in advance or require pre-payment of fees.

Fee Schedule for Assets Under Consultation

Assets Under Consultation	Fee
Under \$1,000,000	1.50%
Greater than \$1,000,000 but less than \$5,000,000	1.25%
Greater than \$5,000,000 but less than \$10,000,000	1.00%
Greater than \$10,000,000 but less than \$20,000,000	0.80%
Greater than \$20,000,000	0.60%

To the extent mutual funds are selected to fill components of the overall investment strategy, the annual advisory fee set forth above does not include the customary fees and expenses associated with investing in mutual funds or other costs of establishing and maintaining an account with mutual funds including 12b-1 fees and expenses. These fees and expenses are not charged by Amegy but are calculated into the performance returns for the mutual fund and are disclosed in the fund prospectus.

Amegy may be deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Amegy may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees. If Amegy receives commissions or 12b-1 fees, these amounts must be used to offset (reduce) the client's advisory fee accordingly.

Retirement Plan Advisory Services Termination: Unless an earlier termination date is mutually agreed upon, either party may terminate the agreement by giving at least thirty (30) days' written

notice to the other party. In the event the agreement is terminated prior to the end of the quarter, the advisory fee shall be prorated and charged prior to close or transfer of the account.

#### **PRIVATE CLIENT INVESTMENTS AND PERSONAL INVESTMENT ADVISER GROUP**

A minimum investment of \$100,000.00 is preferred for this service. The annual asset-based advisory fee will be calculated and charged after the end of each quarter following the tiered fee schedule below. The fee is calculated on billable\* assets to include all assets in the account calculated as a daily average. Household accounts may be combined to achieve a lower fee rate. Fees may be negotiable under certain circumstances. Amegy provides an invoice to each client for their quarterly asset based fee. The fee is then deducted from your account by Pershing LLC who serves as account custodian and also is Amegy's clearing firm. Amegy does not charge our clients in advance or require pre-payment of advisory fees.

\*Billable assets are all invested assets in your account; they do not include money market balances and other uninvested cash balances.

**Fee Schedule for Assets Under Management**

<b>Equity Portfolio Value</b>	<b>Fee</b>
<b>\$1 - \$499,999</b>	<b>1.50%</b>
<b>\$500,000 - \$999,999</b>	<b>1.25%</b>
<b>\$1,000,000 - \$2,999,999</b>	<b>1.00%</b>
<b>\$3,000,000 - \$4,999,999</b>	<b>0.75%</b>
<b>\$5,000,000 and above</b>	<b>0.50%</b>
<b>Fixed Income Portfolio Value</b>	<b>Fee</b>
<b>\$1 - \$999,999</b>	<b>.25%</b>
<b>\$1,000,000 and above</b>	<b>.20%</b>

Amegy may pass through to the client certain administrative fees assessed by Pershing LLC, which are not included in the tiered fee schedule above. These fees, which relate to elective services our clients may request such as wire transfers, are listed in Schedule B of the Investment Advisory Agreement.

To the extent mutual funds are selected to fill components of the overall investment strategy, the annual advisory fee set forth above does not include the customary fees and expenses associated with investing in mutual funds or other costs of establishing and maintaining an account with mutual funds including 12b-1 fees and expenses. These fees and expenses are not charged by Amegy but are calculated into the performance returns for the fund and are disclosed in the fund prospectus.

Private Client Investments/Personal Investment Adviser Account Termination: unless an earlier termination date is mutually agreed upon, either party may terminate the agreement by giving at

least thirty (30) days' written notice to the other party. In the event the agreement is terminated prior to the end of the quarter, the advisory fee shall be prorated and charged prior to the close or transfer of the account.

**As required by the SEC, we hereby disclose to you the following regarding additional compensation: Additional compensation presents a conflict of interest and gives a firm and its supervised persons an incentive to recommend investment products sold by our affiliates based on the compensation received, rather than on the clients' needs.** To illustrate, our Amegy employees, in their capacity as broker dealer registered representatives, offer investment products and services to our clients. The revenue to Amegy resulting from the sale of these products and services is considered when calculating incentive bonuses. These bonuses are part of the producing employee's overall compensation.

It is Amegy's strict policy to recommend only suitable products and services to our clients based on their stated needs and objectives, and Amegy's management supervises all accounts and transactions to ensure compliance with this policy. Amegy does not compensate our advisers and brokers based on specific products or services. The selection of mutual funds and exchange-traded funds comprising our advisory model portfolios is based on qualitative and quantitative factors not involving compensation. Please see **Item 8 Methods of Analysis; Investment Strategies; and Risk of Loss** for details.

#### **Additional Compensation to Amegy: Mutual Fund Charges**

To the extent mutual funds are selected by Amegy to fill components of the overall investment strategy for our Private Client and Personal Investment Adviser clients, Amegy endeavors to purchase such mutual fund shares at Net Asset Value (NAV), i.e. excluding any sales commission. Thus, the client will not be subject to any initial distribution cost (front-end sales charge) or redemption fee (back-end sales charge), if any, that might normally be incurred upon the purchase or sale of shares of such mutual fund. However, should Amegy Investments, acting as the broker-dealer, receive 12b-1 fees from the distributors of such mutual funds held in advisory client accounts; we will offset our clients' advisory fee accordingly. Amegy Investments, in its capacity as a broker-dealer, may also receive fees from other broker-dealers related to purchases and sales of individual securities and bonds. Amegy Investments' Retirement Plan Services may occasionally receive certain marketing assistance consideration from mutual fund sponsors that is neither contingent upon nor resulting from specific product recommendations or transactions. These marketing assistance payments are used by Retirement Plan Services to pay for general firm marketing, client and employee education, and other similar expenditures.

#### **Additional Compensation: Cash and Money Market Funds**

Certain money market, municipal money market and government money market funds pay Amegy a distribution fee in its capacity as a broker-dealer. This compensation is in addition to other fees, etc. received from client accounts. However, as stated above, Amegy does not include money market and other uninvested cash amounts in our clients' accounts when calculating advisory fees. Cash balances arising from the sales of securities, redemption of debt securities, dividend and interest payments and funds received from clients are invested automatically on a daily basis. When securities are sold, the proceeds (less any charges) are credited on the first business day

after trade date. Monies placed in a client's account by personal check usually will not be invested until the second business day following the day that the deposit is credited to the client's account. Due to the foregoing practice, Amegy receives some economic benefit because of the delay in investing these monies.

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

Amegy does not charge performance fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of the client. We charge only an asset-based fee, payable quarterly in arrears (not in advance). All fees are explained in **Item 5 - Fees and Compensation**.

## Item 7 - Types of Clients

### **RETIREMENT PLAN ADVISORY SERVICES**

Amegy offers its retirement plan advisory services to corporations, partnerships, sole proprietors, and all other entities eligible to establish a retirement benefit plan for their employees. There is no minimum required for this service.

### **PRIVATE CLIENT AND PERSONAL INVESTMENT ADVISORY SERVICES**

Amegy provides advisory products and services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations. A minimum investment of \$100,000.00 is preferred for this service.

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

### RETIREMENT PLAN ADVISORY SERVICES (PENSION CONSULTING)

Amegy will assist our client in the selection of a qualified vendor (Qualified Retirement Plan Provider or "QRPP") offering professionally managed mutual funds and index funds to serve as the investment and administrative platform. We will then assist our client in the screening and selection of Plan investments from those options offered by the QRPP.

As described below, Amegy follows a disciplined and rigorous due diligence process for screening and monitoring investment options. We want to emphasize though, as previously stated in **Item 4 – Advisory Business** that our services are non-discretionary, and as such, our client will make the final decision regarding the selection of investment offerings for their retirement plan participants.

### Investment Screening

Amegy will apply the following due diligence criteria in screening each investment option.

1. *Regulatory oversights*
2. *Correlation to style or peer group*
3. *Performance relative to a peer group*
4. *Ranking relative to peer group*
5. *Performance relative to assumed risk*
6. *Risk Measure/Volatility*
7. *Assets under management*
8. *Expense ratios/fees*
9. *Stability of the organization*
10. *Minimum track record*
11. *Usage of Plan Providers Research and Analysis*

Failure to meet one or more of these criteria is not necessarily disqualifying. For example: in certain instances, funds not meeting the assets under management or performance track record minimums could still be considered. The decision to retain or terminate an investment option is ultimately determined by using quantitative and qualitative factors. Based on all data, it is Amegy's confidence in the fund manager's ability to perform in the future that ultimately determines the action taken regarding an investment option.

## **Investment Monitoring**

Amegy is aware that the ongoing review and analysis of each investment option is just as important as the due diligence implemented during the investment screening process. The performance of the investment options will be monitored on an ongoing basis.

Amegy acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, we intend to evaluate performance from a long-term perspective (2-3 years minimum). We will review the long-term performance characteristics of the broad asset classes available through the QRPP, balancing the risks and returns.

On a timely basis, but not less than quarterly, Amegy will review whether each investment option continues to conform to our original screening criteria outlined above, specifically:

1. The manager's adherence to published / stated investment guidelines;
2. Material changes in the investment option's organization, investment philosophy and/or personnel; and,
3. Any legal, SEC and/or other regulatory agency proceedings affecting the investment option.

We review our methods and strategies annually to determine whether they are still relevant.

**Investing in mutual funds and index funds, as with other securities, involves varying degrees of risk of loss that the client should be familiar with and prepared to bear. These investments are not insured by the FDIC or any other governmental agency, are not deposits or other obligations of, or guaranteed by, Amegy Bank N.A., its affiliates, or any other bank, and may be subject to investment risks, including the possible loss of principal value or amount invested.**

## **PRIVATE CLIENT AND PERSONAL INVESTMENT ADVISORY SERVICES**

### **Asset Allocation**

Amegy uses current capital markets conditions and outlook to establish an actionable asset allocation strategy for our model portfolios and to make objective recommendations. Ongoing, we analyze current market data and information to formulate changes to our asset allocation recommendations.

Amegy performs fundamental and technical analysis of the general economy, various industries/sectors and other factors (pending legislation, tax changes, political climate, etc.) and comes up with the various asset allocation strategies.

Our analysis methods rely on the assumption that the publicly-available sources of information we utilize provide accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.



### Criteria for Screening and Monitoring

Amegy has defined criteria for screening and monitoring the investment options used in our model portfolios. We also have process for monitoring each investment option and taking action should an investment option fail to meet screening standards.

Amegy will apply the following due diligence criteria in screening each investment option.

1. *Correlation to style or peer group*
2. *Ranking relative to peer group or performance relative to benchmark*
3. *Risk adjusted performance*
4. *Volatility relative to peer group*
5. *Assets under management*
6. *Expense ratios/fees*
7. *Stability of the organization*
8. *Minimum track record*

Failure to meet one or more of the criteria is not necessary disqualifying. Our decision to place a fund on the approved list, hold list, or under review list is ultimately determined by using quantitative and qualitative factors. Based on all data, it is Amegy's confidence in the fund manager's ability to perform in the future that ultimately determines the action taken regarding an investment option.

The screening and monitoring of passively managed investment companies, including exchange-traded funds, is based on the following characteristics:

1. Tracking error
2. Assets under management
3. Expense ratios/fees

We monitor the performance of the investment options on an ongoing basis. Periodically, but not less than annually, Amegy reviews whether the investment options continue to adhere to our criteria and standards. We evaluate performance from a long-term perspective.

We review our methods and strategies annually to determine whether they are still relevant.

Investing in mutual funds, index funds, and exchange-traded funds, as with other securities, involves varying degrees of risk of loss that the client should be familiar with and prepared to bear. These investments are not insured by the FDIC or any other governmental agency, are not deposits or other obligations of, or guaranteed by, Amegy Bank N.A., its affiliates, or any other bank, and may be subject to investment risks, including the possible loss of principal value or amount invested.

## Item 9 - Disciplinary Information

Neither Amegy nor any of our management personnel currently has legal or disciplinary events to report.

## Item 10 - Other Financial Industry Activities and Affiliations

Amegy is actively engaged in business other than providing investment advisory products and services. As stated in our introduction in **Item 4 – Advisory Business**, we are:

- a registered broker-dealer with the SEC and all fifty state jurisdictions in the United States;
- a member firm of the Financial Industry Regulatory Authority (FINRA, formerly NASD); and
- a licensed insurance agency in Texas, Utah, South Dakota, Arizona, Nevada, New Mexico, Idaho, Washington, Oregon, California, Colorado and Georgia.

In our capacity as a broker-dealer and an insurance agency, Amegy - through our registered representatives and licensed insurance agents, many of whom are also Amegy advisers - offers brokerage and insurance products and services to our prospective and existing clients.

### ***Amegy as a Broker-Dealer***

Amegy, in our principal capacity as a registered broker-dealer, will use our clearing firm, Pershing LLC, to execute portfolio transactions for our Private Client and Personal Investment Advisory clients. There is no cost to our advisory clients for these transaction executions; you are responsible only for your quarterly asset-based fee. Please refer back to **Item 5 – Fees and Compensation** for our fee schedule. Note: Amegy, as broker-dealer, may buy securities for itself from, or sell securities it owns to our advisory clients, at which time no commission and or other markups/markdowns will be charged to you.

Amegy's brokerage policies and practices are explained in more detail in **Item 12 - Brokerage Practices**.

### ***Amegy has arrangements that are material with other Broker-Dealers***

Amegy maintains an arrangement with Pershing whereby we, as an introducing broker, clear securities transactions on a fully disclosed basis through Pershing. Further, Pershing holds all client funds and/or securities on behalf of our brokerage and certain advisory clients for purposes of the Securities Investor Protection Act.

### ***Amegy has Affiliations and Activities with a Banking or Thrift Institution***

As stated in Item 4, Amegy and its affiliate Amegy Bank are subsidiaries of Amegy Corporation which is owned by Zions Bancorporation. As such, Amegy Investment Adviser Representatives and Registered Representatives are also employees of Amegy Bank, and ultimately Zions Bancorporation. Zions Bancorporation's other subsidiary affiliates include but are not limited to several banks located in the western United States, a trust company Western National Trust Company, the brokerage firm Zions Direct, and Contango Capital Advisors, an SEC registered investment adviser firm.

Amegy Bank and its employees may refer their customers to Amegy, and Amegy Bank may pay such employees a nominal, one-time referral fee to the extent permissible under applicable laws and regulations. This referral program is described in more detail in **Item 14 – Client Referrals and Other Compensation**. Conversely, Amegy may recommend its clients to Amegy Bank for

banking services, trust and estate management or other financial and banking services. We are not compensated by Amegy Bank for these referrals.

***Amegy as an Insurance Agency***

As a licensed insurance agency and registered broker-dealer, Amegy may offer variable life and variable annuity products. Appropriately licensed and appointed agent/employees of Amegy may qualify prospective clients for these products, typically in an employer-sponsored retirement plan or other employee benefit plan.

***Amegy has Affiliations and Activities with another Insurance Agency***

Amegy, also a licensed insurance agency, is affiliated through common ownership with Amegy Insurance Agency, Inc., a Texas State chartered insurance agency headquartered in Needville, Texas. Appropriately licensed and appointed agents/representatives of Amegy may offer traditional, non-variable (fixed) insurance and annuity products through Amegy Insurance Agency. Both Amegy and Amegy Insurance Agency, Inc. are subsidiaries of Amegy Bank.

Clients should be aware that the receipt of additional compensation by Amegy and its management persons or employees creates a conflict of interest that may impair the objectivity of Amegy and these individuals when making advisory recommendations. Amegy endeavors at all times to put the interest of its clients first as part of its fiduciary duty as a registered investment adviser and takes the following steps to address this conflict:

- Amegy discloses to clients the existence of all material conflicts of interest, including the potential for Amegy and its employees to earn compensation from advisory clients in addition to Amegy's advisory fees;
- Amegy discloses to clients that they are not obligated to purchase recommended investment products from Amegy's employees or affiliate companies;
- Amegy collects, maintains and documents accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Amegy's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- Amegy requires that its employees seek prior approval of any outside employment activity so that Amegy may ensure that any conflicts of interests in such activities are properly addressed;
- Amegy periodically monitors these outside employment activities to verify that any conflicts of interest continue to be properly addressed by Amegy; and
- Amegy educates its employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

## Item 11 - Code of Ethics and Employee Trading

Amegy has adopted a Code of Ethics to ensure that the conduct and personal trading of Amegy employees (including officers, directors, managers, adviser representatives, back-office support, and other associated persons of Amegy) are consistent with Amegy's fiduciary duty to our clients. Our purpose is to ensure compliance with legal requirements, Amegy's standards of business conduct, and to prevent conflicts of interest which may adversely affect or harm our clients.

All employees of Amegy are subject to the following rules and restrictions concerning the purchase or sale of securities for their own accounts, including accounts of family members:

- Employees are prohibited from investing in an initial public offering;
- Employees must obtain *prior* Management and Compliance approval before making investments in private placements and limited offerings;
- Employees must provide duplicate trade confirmations and statements of all personal accounts to Amegy;
- Employees must report personal securities transactions to Amegy on a quarterly basis.
- Employees are prohibited from using or sharing material, non-public information; this is to prevent insider trading which is illegal when the information is still non-public. Violators are subject to both Amegy sanctions and SEC/federal prosecution;
- Employees must certify annually their adherence to Amegy's Code of Ethics

A written copy of Amegy's Code of Ethics is available upon request to current and prospective clients.

In addition to our Code of Ethics, Amegy wishes to disclose our other policies and procedures regarding client and employee securities transactions.

- Amegy does not make recommendations of specific individual stocks. We offer these securities on an unsolicited basis only; however, we do make recommendations of mutual funds and exchange-traded funds based on our clients' stated investment needs and objectives;
- No security may be bought or sold by an Amegy employee before our clients have had the opportunity to make such transactions as appropriate. Employees will not receive a more favorable execution price on a particular day than those received by Amegy's clients;
- Amegy employees may purchase for themselves similar or different securities as are purchased or recommended for our advisory clients;
- Amegy advisers may effect or recommend different securities or transactions for different clients based on the unique circumstances of each client.

Brokerage policies which may affect our advisory clients are further addressed in the next section, **Item 12 – Brokerage Practices.**

## Item 12 - Brokerage Practices

### **Best Execution**

Best execution has been defined by the SEC as the "execution of securities transactions for clients in such a manner that the clients' total cost or proceeds in each transaction is the most favorable under the circumstances." Likewise, Amegy seeks to obtain for our clients, not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances.

### **Directed Brokerage**

Amegy, in its capacity as a broker-dealer, will execute portfolio transactions through our clearing firm, Pershing LLC, for our Private Client and Personal Investment Adviser advisory clients. These transactions will be conducted with the proper and customary disclosure provided to you. We do not direct client transactions to outside brokers and therefore receive no execution fees, client referrals, or other compensation or benefits. We believe Pershing provides good execution and we monitor their results regularly. However, because we do not accept directed brokerage instructions from our clients, we are not able to negotiate commissions and may not obtain best execution of your trade.

### **Principal Transactions**

Amegy, in its capacity as a broker-dealer, does not engage in principal transactions with our investment advisory clients except on a riskless principal basis. This means, Amegy as a principal for its own account, may buy from or sell to you, the client, any security under these circumstances ONLY: (1) Amegy pays or receives the same price you do; and (2) Amegy has informed you we are acting as principal for our account in this transaction.

### **Soft Dollars**

Amegy, as a matter of policy and practice, does not have any soft dollar arrangements with broker-dealers or third party firms. "Soft dollars" generally refers to arrangements whereby an investment adviser who exercises discretion over client accounts (which Amegy does not) is allowed to pay for and receive research, research-related, or execution services from a broker-dealer or third-party provider, in exchange for brokerage commissions from client accounts. In soft dollar arrangements, the brokerage commissions paid by the client are higher than those in an "execution only" trading relationship.

Amegy's policy of prohibiting utilizing any research, and research-related products or services except through a subscription (paid by Amegy) has been communicated to our managers, traders and portfolio managers. In the event of a change in our policy as approved by management, any soft dollar arrangements would only be allowed after appropriate reviews and approvals, disclosures, meeting regulatory requirements and maintaining proper records.

### **Trade Aggregation and Allocation**

Amegy will aggregate stock purchases or sales for multiple clients or for the multiple accounts of an individual client. We calculate average share price and transaction costs to be shared equally among the accounts. We will allocate brokerage transactions in a manner we believe to be fair and

responsible to our clients, and consistent with client objectives. Adhering to a strict formula will not be practicable given the variation in client objectives and guidelines.

Since Amegy does not participate in new issues or underwriting, either for our clients or our own House account, we do not generally allocate shares among accounts. However, should there be a situation necessitating the allocation of shares between two or more accounts, Amegy prohibits any allocation of trades in a manner that Amegy's proprietary accounts, affiliated accounts, or any particular client(s) or group of clients receive more favorable treatment than other client accounts.

## Item 13 - Review of Accounts

### **RETIREMENT PLAN SERVICES**

As also discussed in **Item 4 – Advisory Business**, Amegy advisers will prepare a performance evaluation report and perform a formal review of the Plan with you, the business owner/Plan Fiduciary, on an annual basis. This is in addition to quarterly reviews conducted by your Amegy adviser to assess performance and statement measurement at plan sponsor level. If you wish to schedule a review at any other time, please contact your Amegy adviser.

### **PRIVATE CLIENT INVESTMENTS AND PERSONAL INVESTMENT ADVISER GROUP**

As also discussed in Item 4, Amegy advisers perform formal reviews of client accounts at least annually. These reviews are supervised by the adviser's immediate manager in the Private Client or Personal Investment Adviser Group. Your adviser will contact you for a review, and your participation is important. The purpose of this review is to evaluate your investment holdings and transactions (as reflected in your account statement which is prepared and mailed to you quarterly by Pershing LLC) for consistency with your stated investment objectives.

While these reviews are scheduled to occur at least annually, you are encouraged to contact your Amegy adviser for a review of your account at any time if you experience significant changes in your financial circumstances or have other concerns.



## Item 14 - Client Referrals and Other Compensation

Amegy Investments pays and receives compensation under the following scenarios.

### **Compensation Paid for Client Referrals**

If a prospective client is introduced to Amegy by an employee of Amegy Bank or by an employee of one of our affiliate banks, Amegy Bank may pay that employee a referral fee in accordance with Regulation R and applicable state regulations. This referral fee may be paid even if an account relationship or other business does not result from the referral. The referral fee shall be paid by Amegy Bank, and shall not be a cost to the client. *This creates a conflict in that the client may be referred in part based on financial motivations of the referring employee and not necessarily because Amegy's advisory services are the best suited to your needs.* However, Amegy's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances.

Amegy is also engaged in a referral program with an affiliate, Contango Capital Advisors, Inc. ("Contango"), a federally registered investment adviser and a subsidiary of parent company Zions Bancorporation, in order to refer 401k business to Amegy's Retirement Plan Services. Amegy will pay Contango 30% of first year's gross revenue for booked business, payable in incremental payments to ensure an accurate split. *This creates a conflict in that the client may be referred in part based on financial motivations of the referring firm and not necessarily because Amegy's advisory services are the best suited to your needs.* However, Amegy's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances.

### **Compensation Received on Mutual Funds**

As detailed in **Item 5 - Fees and Compensation**, Amegy, acting as broker dealer, may receive 12b-1 fees from the distributors of mutual funds. These 12b-1 fees are expenses incurred by the fund issuers and affect the investment return of the funds in which you may be invested. However, any 12b-1 fees Amegy receives from the fund issuers are offset against the asset-based advisory fees Amegy receives for providing investment advice to you and our other advisory clients. Our advisory clients are not subject to both.

Amegy may also receive fees from other broker-dealers related to purchases and sales of individual securities and bonds. Amegy Investments' Retirement Plan Services may receive certain marketing assistance consideration from mutual fund sponsors.

### **Compensation Received on Cash and Money Market Funds**

As also detailed in Item 5, Amegy receives a distribution fee from certain money market, municipal money market and government money market funds. Amegy may also receive additional compensation based on client account balances being held in certain money market funds.

## Item 15 - Custody

Amegy does not maintain custody of client funds or assets.

As previously mentioned in **Item 10 – Other Financial Industry Activities and Affiliations**, Amegy as an introducing broker\*, clears its clients' securities transactions through Pershing. Pershing serves as custodian, holding all client funds and/or securities on behalf of Amegy's Private Client and Personal Investment Adviser Group clients.

Retirement Plan Services' client assets are held in custody at the investment or insurance company selected by the client to serve as Plan Provider (i.e. the QRPP). All transactions are cleared through a broker determined by the investment or insurance company.

\*An introducing Broker-Dealer does not hold customer funds or securities but directs customers and transactions to a clearing broker.

### **Client Reports, Statements and Confirmations**

Clients will receive transaction confirmations and quarterly statements from their respective custodians. As such, Private Client and Personal Investment Adviser Group clients will receive account statements from Pershing reflecting current positions and values, transactions for the period, and investment performance information. Pershing does not verify the accuracy of your directly debited advisory fees. Therefore, you should carefully review your statement for accuracy.

Retirement Plan clients (the Plan Sponsors) will receive account statements from their Plan Provider (the investment or insurance company) reflecting contributions, balances and transactional detail of the overall Plan. Amegy will prepare and provide investment performance reports for the investment selections currently in the Plan.

Each employee plan participant will receive individual account statements from the QRPP reflecting their current positions and values, transactions for the period, and investment performance information.

## Item 16 - Investment Discretion

Amegy does not exercise investment discretion in our clients' accounts. Prior to executing a specific purchase or sale of a security in your account, even to rebalance your model portfolio, we must obtain your authorization.

## Item 17 - Voting Client Securities

It is the general policy of Amegy to not take any action or render any advice in reference to the voting of proxies for those securities held in all client accounts. Clients will receive their proxy statements or other solicitations directly from their custodian or a transfer agent. Please contact the proxy solicitor at the phone number provided on the proxy statement if you have questions.

## Item 18 - Financial Information

Amegy Investments, Inc. does not require or solicit prepayment of fees, and does not have discretion over our investment advisory client accounts or custody of client funds.

We have no financial conditions that would impair our ability to meet contractual commitments to our clients.

We have not been the subject of a bankruptcy petition at any time.