

# **AMC Allocation Plus**

## **Asset Management Consulting**

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SunTrust Investment Services, Inc.

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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**

The last update to the AMC Allocation Plus Firm Brochure was January 1, 2012. There have been no material changes since the last update.

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## Advisory Business

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 your account is a qualified retirement account, (the "Carrying Broker" or "Custodian" or "NFS"), which also provides custody and execution services for your account.

AMC Allocation is a non-discretionary advisory program account. Client understands that investment decisions are those of the client and not their IAR or STIS. The IAR will be primarily responsible for making investment management recommendations for the AMC Allocation Plus account. The IAR also provides ongoing advisory services to the client, including client review meetings. If for any reason, and in the sole discretion of STIS, the IAR is unable to render such investment services to the account, temporarily or permanently, or terminates his or her employment with STIS, STIS will continue to render such services and will assign a new IAR to the account. Clients retain ownership of all cash, securities, and other instruments in their accounts.

In offering AMC Allocation Plus, STIS representatives work with individual clients to develop a personal client investment policy statement and proposal that identifies the client's goals, risk tolerance, time horizon, financial situation and other factors that influence investment approach. Based on that information, the STIS adviser assists clients in establishing appropriate goals and objectives and an investment strategy for their account. The investment policy statement and proposal proposes an asset allocation strategy based on the client's answers to the questions posed by his or her IAR. The client then selects the appropriate program based on this recommendation.

In accordance with client's investment objectives as stated in the profile, STIS may recommend that client invest and reinvest the assets in securities of various types, including, but not limited to, common and preferred stocks, shares of mutual funds, closed-end funds, and exchange-traded funds, options, warrants, rights, alternative investments, including hedge funds and fund of funds and corporate, municipal or governmental bonds, notes, or bills within guidelines set by the STIS Investment Policy Committee ("IPC"). Limited types of options transactions may be conducted for an AMC Allocation Plus account. Margin may be used in an effort to enhance performance (with the resulting increased risk of loss), as determined by on-going consultations with clients. Clients should read the margin disclosure in the Fees and Compensation section below before electing margin capabilities.

In addition, a client may place reasonable restrictions on the management of the account by designating specific securities or categories of securities that will not be purchased for the account. If a client restricts a general category of securities but does not prohibit the purchase of specific securities, STIS will determine what specific securities fall within that category based on our determination of the primary business of the issuer.

It is the clients' responsibility to inform STIS of any changes in their financial circumstances or if they wish to change, or impose new, instructions for the management of their accounts. STIS will notify each client in writing quarterly, requesting the client to contact his or her IAR regarding any such changes. Each IAR will consult with clients at least annually to determine if there have been any changes in the clients' financial situation or investment objectives, and whether clients wish to change, or impose any new, instructions for the management of their accounts.

STIS provides portfolio management for the AMC Fund Select Tactical program at the firm level and receives a portion of the management fee for that service. The firm does not manage any other client accounts, its IARs; however, do manage client accounts either on a discretionary or non-discretionary basis.

## Assets Under Management as of November 30, 2011

Discretionary	\$ 1,180,318,344
Non-Discretionary	\$ 4,098,088,395

## **Fees and Compensation**

AMC Allocation Plus accounts are charged a single asset-based fee (the “Program Fee”) that includes our ongoing client advice and service and the execution and custodial services of NFS. The Program Fee is deducted from the AMC Allocation Plus account or client may have the fee deducted from another account owned by the same client.

The Program 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.

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

### Fee Schedule

<u>Assets Under Management</u>	<u>All Securities</u>
From \$0 - \$ 500,000	2.25%
On the next \$ 500,000	1.25%
On the next \$ 4,000,000	1.00%
Assets over \$ 5,000,000	0.75%

Client shall pay STIS on a quarterly basis in advance as specified in the client investment management agreement. Notwithstanding this schedule, the minimum quarterly fee is \$250 (based on the billing method selected). STIS may adjust the minimum quarterly fee under certain circumstances. The exact fee a client pays is specified in his or her client Agreement. 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 above. Such minimum fee may be higher than those fees charged by STIS for other client accounts with greater asset levels and may exceed 2.25% 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 may discount the Program Fee for employees of STIS and its affiliates.

Clients will not be charged a separate commission or other transaction charge for trades executed through NFS; those charges are included in the Program Fee, and STIS will pay NFS’s commissions and other transaction charges (as negotiated between STIS and NFS) for transactions for AMC Allocation Plus accounts. STIS may incur additional expenses as the amount of trading in an AMC Allocation Plus account increases. As a result, STIS may have a financial interest in the number of trades an IAR recommends and may have an incentive to seek to limit the extent of trading activity in AMC Allocation Plus accounts. Client may be charged other fees associated with their account, see Other Fees and Charges in the **Brokerage Practices** section below.

The initial Program Fee is billed from the date the Account is opened and will be based on the initial value of the assets placed in the Account as of the close of business on the day the Account is funded. The initial Program Fee payment will

cover the period from the opening date through the last day of the calendar quarter and shall be pro-rated accordingly (based on the relation of the number of days in the applicable billing period to 364). Thereafter, Program Fees are billed quarterly in advance, based on the average daily balance value of the assets for each asset category (including cash, cash equivalents and assets purchased on margin). Each asset category (Equities/Equity Options/Eligible Mutual Funds; Fixed Income and Cash/Cash Equivalents) are separate and asset values for each category will not be combined for breakpoint discounts.

Program 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; clients are refunded the difference. Program Fees will not be returned for client withdrawals made during a quarter.

In addition to the Program Fees for the Service, clients are subject to certain charges in connection with investments made through the program, including mutual fund/Exchange Traded Fund (“ETF”) advisory, distribution, early redemption or other fees.

Clients may invest assets in shares of a management investment company or mutual fund for which an affiliate of STIS, performs advisory or other services (“Affiliated Fund”) and receives 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 you and STIS. If, in the exercise of its investment management in accordance with the investment advisory agreement or at your direction, STIS recommends investing a portion of the assets in your account(s) in shares of an Affiliated Fund, you hereby consent to and authorize such investments and STIS’ receipt (to the fullest extent permitted by applicable law) of the Affiliated Fund Fees and the fees it receives pursuant to the investment advisory agreement. In such a case, information about the Affiliated Fund Fees paid to STIS can be found in the prospectus and/or annual report for the Affiliated Fund and you may be provided with additional disclosures or asked to execute additional consents as, and to the extent, required by applicable law. You may terminate your 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 your 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 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. 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. This practice presents a conflict of interest and gives STIS and its IARs an incentive to recommend investment products based on the compensation received, rather than on a client’s needs. STIS discloses this conflict to its advisory clients in its brochure. STIS’ senior management reviews and approves the fund companies for the firm each year and IARs utilizing money market funds or mutual funds in client portfolios must select from the approved list.

IARs are prohibited from recommending purchases of shares of mutual funds or other pooled investment vehicles such as ETFs with an upfront fee.

Clients have the option to purchase investment products that we recommend through other broker-dealers or agents that are not affiliated with STIS.

Asset Valuation For purposes of the computation of the value of any securities or other investments in an AMC Allocation Plus 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 will 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 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.

Margin The Program Fee is based on the total amount of assets in the client's account, including assets purchased using margin. If STIS uses margin in a client's account, we and the client's IAR each will receive additional compensation based on the increase in the assets being managed. Although the Program Fee, as a percentage of assets under management, will not change, the total assets on which this percentage is based will increase through the use of borrowed funds, and, accordingly, the compensation paid to STIS and the client's IAR will increase. In addition, clients who borrow funds will pay interest on the outstanding loan balance. There are risks associated with the use of borrowed funds for investment purposes. The decision to use leverage in a client account rests with the client and should be made only if the client understands the risks of margin borrowing, the impact of the use of borrowed funds on an account, and how the use of margin may affect the client's ability to achieve investment objectives. Specifically, positive or negative performance of a margined account, net of interest charges and other account fees, will be enhanced by virtue of using borrowed money. Thus, gains or losses in a leveraged account will be greater than would be the case with an unleveraged account. In addition, clients with margin accounts may need to deposit additional cash or collateral if the value of the portfolio declines below the required loan-to-value ratio. If the client cannot provide the additional collateral, NFS, in their sole discretion, may sell securities in the collateral account or accounts to meet the margin requirement. In these circumstances, the securities often may be sold into a market that is declining, so the prices obtained for the securities may be less than favorable. STIS and/or the IAR will not act as investment adviser to the client with respect to the liquidation of securities held in an account to meet a margin call and, as creditors, STIS and our affiliates may have interests that are adverse to the client. Clients will receive a separate margin disclosure document.

For purposes of determining the Program Fee charged to an account, the value of all accounts held by members of the same household may be aggregated. Accounts will be treated as part of the same household on a case-by-case basis as determined by STIS. It is the client's responsibility to request that accounts be treated as part of the same household. Individual retirement accounts and other personal retirement accounts may be aggregated for this purpose, but retirement plan accounts subject to the Employee Retirement Income Security Act of 1974 ("ERISA") may not be aggregated. The aggregation of accounts for this purpose is described in the client investment management agreement.

For the duration of the client investment advisory agreement, a portion of the Program Fee in connection with the Account may be paid to your IAR and other employees of STIS and its affiliates. Because of this, IARs may have a financial incentive to recommend one program over another program.

AMC Allocation Plus may cost clients more or less than purchasing such services separately. Factors that may bear upon the cost of AMC Allocation Plus in relation to the cost of the same services purchased separately may include, among other things, the size and type of the account, the historical and expected size or number of trades for the account, and the number and range of supplemental services provided to the account.

SunTrust Bank Signature Advantage Service Clients who sign up for the SunTrust Bank Signature Advantage Service will link their STIS AMC Allocation Plus account with their SunTrust Bank checking account. These accounts are eligible for the Cash Sweep Program, a service that automatically transfers available cash balances in your account into one of a select group of money market mutual funds or an FDIC insured interest bearing option through SunTrust Bank.

To avoid paying the AMC Allocation Plus program fee on cash balances in your Signature Advantage cash sweep account, clients must select the FDIC insured interest bearing cash sweep option. Any cash held in a money market mutual fund will be considered to be part of the AMC Allocation Plus advisory program and will be subject to the fee assessed pursuant to the AMC Allocation Plus account program.

## **Types of Clients**

STIS offers advisory services 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 an AMC Allocation Plus account. 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.

In general, the minimum account size is \$50,000, but STIS may waive the minimum account size under certain circumstances.

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

In providing recommendations, the IAR will follow general portfolio construction guidelines established by our IPC. The IAR implements specific security selections based on research obtained by us from other sources. STIS currently uses research provided by SunTrust Robinson Humphrey (“STRH”), Credit Suisse First Boston (“CSFB”), Morning Star, NFS and a variety of other research providers. SunTrust Robinson Humphrey, Inc. is an affiliated broker-dealer of STIS Investment Services, Inc. Some research provided by STRH, CSFB or NFS may not be fully disinterested to the extent that it concerns companies with which STRH, CSFB or NFS has, or hopes to have, an investment banking or other business relationship and thus has a conflict of interest in evaluating the companies' securities. Such research may also concern securities for which STRH, CSFB or NFS is a market maker and thus has a conflict of interest. The exact composition and asset allocation of each client portfolio may differ depending on a variety of factors, including the client's specific investment goals, the client's risk tolerance, and overall economic and market conditions.

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

**Bonds:** Investments in bonds are subject to risks. The most significant risk is interest rate risk. Generally, when interest rates rise, bond values fall, values rise when interest rates decline. Other risks include default risk, or the possibility the issuer will default on the payment of interest and/or principal; call risk, or the possibility the issuer will redeem the bond before maturity; and inflation risk, or the possibility that inflation will outpace the bond's return.

**Brokered Certificates of Deposit (“CDs”):** All brokered CDs will fluctuate in value between purchase date and maturity date. CDs may be sold on the secondary market prior to maturity subject to market conditions, which may be limited. Any CD sold prior to maturity may be subject to a substantial gain or loss. The original face amount of the purchase is not guaranteed if the position is sold prior to maturity. If a CD has a call provision, the issuer has sole discretion whether to call the CD. If an issuer calls a CD, there is a risk to the investor that the investor will be forced to reinvest at a less favorable interest rate.

**Closed-end Funds:** The value of any closed-end fund will fluctuate with the value of the underlying securities.

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



**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.

**Floating Rate Funds:** Securities with floating interest rates generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much, or as quickly, as prevailing interest rates. Unlike fixed-rate securities, floating rate securities generally will not increase in value if interest rates decline. Changes in interest rates also will affect the amount of interest income the Fund earns on its floating rate investments. Floating rate securities involve liquidity risk, which may affect the ability of investors to buy and sell them at the desired time or price.

**Money Market Mutual Funds:** An investment in the Fund is not insured or guaranteed by the FDIC or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund.

**Options:** Option trading entails significant risk and is not suitable for all investors. For a current options disclosure document, please call the Centralized Supervision Group, 804.594.1167. Investors should consult with their tax advisor in order to determine tax implications of options transactions. Supporting documentation for any claims, if applicable, will be furnished upon request.

**SunTrust Index-linked CDs ("SILCs"):** Investments in SILCs involve the following: You might not earn a return on your investment and you might not be able to sell your SILC in the secondary market prior to the maturity date. The return on SILCs may be less than the return on the underlying index. Your return, if any, may be lower than the return on other available investments.

Participation in market returns is subject to limitation and to the application of a participation factor or cap, which would reduce the return on the SILC. The indexed amount may be subject to the application of a participation factor, which will reduce the indexed amount. Details on return calculations can be found in the Supplemental disclosure statement for each issuance. Call 1.800.526.1177 for a supplemental disclosure statement.

Return of principal is only guaranteed when SILCs are held to maturity. If sold prior to maturity, you may receive significantly less than your original investment. Each SILC CD owner is insured by the FDIC up to \$250,000.

**Unit Investment Trust:** The value of any UIT will fluctuate with the value of the underlying securities and market conditions.

**Margin:** Margin trading is not appropriate for all clients and involves material risk. You can lose more funds than you have deposited in the margin account; the firm can force the sale of securities or other assets in your account(s); the firm can sell your securities or other assets without contacting you; you are not entitled to choose which securities or other assets in your account are liquidated or sold to meet a margin call; the firm can increase in-house maintenance requirements at any time; and you are not entitled to an extension of time on margin call. Market conditions can magnify any potential for loss. If the market turns against the investor, he or she will be required to deposit additional securities and/or cash in the account. The interest rates charged are determined by the value of the cash and securities prior to initiating the loan.

**Cash Balances:** Client accounts are set up with either a money market or FDIC sweep option for investment of cash. Money market funds are generally included in the fee calculation, whereas FDIC assets are not included in the fee calculation.

Annuities: Annuities associated with or funded by an AMC Allocation Plus Program Accounts. If I purchase an annuity and associate it with my AMC Allocation Plus program account, and STIS receives or has received a commission for such purchase, I understand that:

- My SunTrust Investment Services, Inc. Adviser will not include the annuity in any advice given in my AMC Allocation Plus program account;
- My annuity will not be included in the AMC Allocation Plus program fee;
- My annuity will be reflected on my underlying AMC Allocation Plus program account statement under the Assets Held Away section;
- SunTrust Investment Services, Inc. may act in a principal capacity with respect to such annuity.

However, I understand that if I purchase an advisory eligible annuity (STIS does not receive a commission for such purchase) in my AMC Allocation Plus program account, such annuity is included both in the advice given to me by my SunTrust Investment Services, Inc. Adviser and in the fee charged to my AMC Allocation Plus program account. Further, I understand that the annuity will be reflected on my AMC Allocation Plus program account statement, and that SunTrust Investment Services, Inc. may act in a principal capacity with respect to such annuity and I have given my consent to the transaction.

## **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 and the management personnel are all securities registered primarily for oversight of the securities business. Generally, management personnel are not actively selling investment products. STIS is also an insurance agency and there are members of management who are insurance licensed and appointed through STIS primarily for oversight of insurance business. Like brokerage, management personnel are generally not actively selling insurance products.

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 Advisors, AMC Fund Select Tactical and the AMC Pinnacle programs.

Neither STRH nor SunTrust Bank compensates STIS for placement of fee-based CDs purchases in applicable AMC advisory program accounts. However, due to STRH’s investment banking activities, STIS may have an incentive to recommend those securities in which either STRH brings to the market and/or acts as a market maker or SunTrust Bank issues, as in the case with the fee-based CDs. STIS has several product committees that review each new security offering, including initial public offerings and private placement offerings, whether from an affiliated or unaffiliated firm to determine whether or not to allow the security in its investment program. STIS prohibits purchases of securities that have an upfront commission, concession or load in any AMC advisory program account.

Because we are affiliated with the investment adviser of the RidgeWorth Funds, we may have an incentive to recommend

or purchase these funds over non-affiliated mutual fund shares in our applicable AMC advisory program accounts. STIS prohibits assessment of investment advisory fees on shares of RidgeWorth Funds in AMC advisory program accounts which are subject to ERISA or Section 4975 of the Internal Revenue Code of 1986. STIS' senior management reviews and approves the fund companies, affiliated and non-affiliated, for the firm each year.

The compensation received from SunTrust Bank and/or RidgeWorth for soliciting advisory clients, which is disclosed to you in a disclosure statement, is typically equal to a percentage of the investment advisory fee charged by the affiliated adviser and may range up to sixty five percent of the advisory fee. Because we receive compensation from these affiliated advisers for referring clients and because such compensation may differ depending on the individual agreement with each affiliated adviser, we may have an incentive to recommend one of these investment advisers over a non-affiliated adviser with which we have a less favorable compensation arrangement. No client referred by us is charged any additional amount over the affiliated adviser's advisory fee as a result of the agreement between us and the affiliated adviser.

## **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 you or 2) considered for purchase or sale for you. 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 IARs may not recommend the purchase of the equity securities issued or guaranteed by SunTrust Banks, Inc. or purchase or recommend the purchase of securities issued by The Coca Cola Company. However, Clients, who have existing equity positions in either issuer in their AMC Allocation Plus account (or who transfer in securities to their account) will have limited advice with respect to these securities and will be subject to advisory fee described above under

**Fees and Compensation.** Such positions will be monitored as part of an account's overall asset allocation and will be included on statements and reports.

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

## **Brokerage Practices**

Clients must open a STIS brokerage account when opening an AMC Allocation Plus account. STIS uses NFS as our clearing broker for custody, trade execution and clearing, trade confirmations and regular monthly statements of positions and account activity. NFS also provides STIS with electronic execution facilities, research that we may use in managing client accounts, and software that includes other research and execution-related features, such as account information, market data, analytical tools, reporting, and investment planning tools.

In the interests of simplicity or better trade execution, an IAR may, but is not required to, aggregate orders for client accounts with orders for other client accounts managed by that IAR. Orders generally will not be aggregated among accounts managed by different IARs. If an IAR aggregates orders for multiple client accounts, those client accounts will receive the average price for those trades. Partial fills of a block security transaction will be allocated among clients on a pro rata basis, rounded to a reasonable degree.

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 your 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.

We may receive a benefit from the possession and temporary investment of cash balances in client accounts before investment, whether in a sweep arrangement or otherwise. In certain advisory service programs, cash balances may earn interest payable by STIS at a rate comparable to the U.S. Treasury 90-day bill rate. In such cases, STIS will obtain a benefit from the possession and temporary investment of the cash balances in client accounts, in addition to the fees described herein.

**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 fees and expenses, including certain advisory, distribution, deferred sales charges, or other fees, and a client account invested in those funds may bear a portion of those expenses. Each of the fees discussed above is in addition to the Program Fee.

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 on behalf of the client.

STIS does not have any soft-dollar arrangements.

## **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 Allocation Plus 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 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.

First Rate, Inc. ("First Rate") will prepare Quarterly Reports ("Reports") which compares the client's account to leading securities market indices. In preparing the account performance information, First Rate may rely 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 report will be sent by STIS to client upon request. If the client chooses to receive Performance 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 if they choose to receive Performance Reports. Clients should compare their performance report information to their monthly or quarterly account statements from NFS and should report any discrepancies to their STIS IAR.

## **Client Referrals and Other Compensation**

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.

## **Custody**

Clients receive monthly and/or quarterly account statements from NFS and clients should review these carefully.

## **Voting Client Securities**

STIS has no authority or obligation to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities in which assets may be invested from time to time. Client (or the plan fiduciary in the case of an account subject to ERISA) expressly retains the authority and responsibility for the voting of such proxies. Proxy communications are sent to clients by the custodian, NFS.

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