

# **AMC Advantage**

## **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) 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 Advantage 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. Lockwood Advisors, Inc. (“Lockwood”) provides administrative services which includes fee calculations and performance reporting.

AMC Advantage (the “Program”) is a program that allows the client, with our Investment Adviser Representative’s (“IAR”) assistance and consultation, to choose one or more Managers, which may or may not participate in AMC Premier, to manage the client’s assets on a discretionary basis. AMC Advantage allows the client to define his or her investment objectives, develop an asset allocation strategy to match those goals and objectives, and monitor investment performance. We do not exercise investment discretion for the client; instead, we may make recommendations that the client may or may not follow. The ultimate selection of Manager is made by, and is the sole responsibility of, the individual client. The client will contract directly with a Manager in addition to and separately from the client’s contract with us.

Information about the Manager will be prepared by the Manager and is made available through the Manager. The Manager’s Brochure describes its processes for the Program and should be read by the client along with this STIS Brochure before investing in the Program.

We will collect financial information from clients using an investment questionnaire and, based on that information, assist clients in establishing appropriate goals and objectives and an investment strategy for their investment portfolio(s).

It is the client’s duty to inform us of any changes in the client’s financial circumstances or if the client wishes to change, or impose new instructions for the management of the client’s account. We will notify each client in writing quarterly, requesting the client to contact us about any changes in the client’s financial circumstances or investment objectives.

Through an IAR, we will request consultation with the client at least annually to determine if there have been any changes in the client’s financial situation or investment objectives, and whether the client wishes to change, or impose new, instructions for the management of the client’s account. If the client’s financial situation, investment objectives, or instructions do change, we will consult with the client on how those changes affect the client’s account.

While most Managers are independent of us, clients may select a Manager that is affiliated with us. Managers hired by a client are sent information on the client’s financial circumstances, investment goals and objectives, and any special instructions the client may wish to give the Manager regarding the account. As discussed below, AMC Advantage clients generally pay separate investment management fees to the Managers on a basis agreed to between the client and the Manager. Any investment management fee paid to a Manager is in addition to the Program Fee described below or other compensation paid to us.

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 Advantage accounts may be charged either an asset-based fee or through the payment of directed transaction charges (the "Program Fee") that includes our consulting and other client-related services and the custodial, execution, and reporting services provided by NFS except for those charges that, as described below, will be paid by the client. The Program Fee **does not** include portfolio management and other advisory services charged by the Managers (including Managers affiliated with us) selected by the client.

The Program Fees are 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 we provide to the client and the total client relationship with us in terms of assets under management or supervision. The exact fee a client will pay is specified in his or her client investment management agreement.

The Asset-Based Program Fee is determined according to the following schedule:

<u>Assets Under Management</u>	<u>Equity/Balanced Accounts</u>	<u>Fixed Income Accounts</u>
From \$0 – \$ 500,000	2.00%	0.75%
\$500,001 - \$ 1,000,000	1.75%	0.75%
\$1,000,001 - \$ 2,000,000	1.50%	0.55%
\$2,000,001 - \$ 5,000,000	1.25%	0.40%
\$5,000,001 - \$10,000,000	1.00%	0.35%
Over \$10,000,001	0.75%	0.30%

Directed Transaction Charges. AMC Advantage clients may elect to compensate us for providing consulting and other client-related services through the payment of brokerage commissions, rather than the asset-based Program Fee described above. Under this arrangement, clients will pay brokerage commissions as specified in the brokerage agreement.

Notwithstanding the fee schedule shown above, the minimum quarterly Program Fee is \$500 for equity/balanced accounts and \$250 for fixed income accounts. Under certain circumstances, we may waive or adjust the minimum annual fee. If a client's account incurs the minimum annual fee, the amount a client pays in fees, as a percentage of the account, will increase if 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 2.00% 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. The client must pay any fees charged by Managers (including Managers affiliated with us) separately. Please refer to each Manager's Brochure for more information on charges and expenses.

STIS may discount the Program Fee for employees of STIS and its affiliates.

Asset-Based Program Fee clients will not be charged a separate commission for trades executed through NFS; those charges are included in the Asset-Based Program Fee, and STIS will pay NFS's commissions and other transaction charges (as negotiated between STIS and NFS) for transactions for AMC Advantage accounts. Because STIS may incur higher expenses from NFS as the amount of trading in the AMC Advantage accounts increases, we may have a financial interest in the number of trades a Manager recommends and may have an incentive to recommend Managers with historically lower portfolio turnover. Client may be charged other fees associated with their account, see Other Fees and Charges in the **Brokerage Practices** section below.

The initial fee is billed from the date the account is opened on Lockwood's systems through the end of that calendar quarter in advance and is based on the initial value of the assets placed in the account as of the close of business on the day the account is opened and funded. Thereafter, fees are billed quarterly in advance, based on the value of the account assets at the close of the last business day of the previous calendar quarter.

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 funded and do not include the day of funding. For additional contributions greater than \$25,000 a partial fee will be charged related to the number of days remaining in the calendar quarter. 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. Fees will not be returned for client withdrawals made during a quarter.

Assets in your account(s) may be invested in mutual funds or pooled investment vehicles, including ETFs, which, in addition to the Program Fee, incur the internal management and operating fees and expenses, mutual fund management fees, early termination fees (which may include fees on whole or partial liquidations of these assets) and other fees and expenses that may be assessed by the investment vehicle's sponsor, custodian, transfer agent, adviser, shareholder service provider or other service providers. Such fees are not included in the Program Fee. Further information regarding charges and fees assessed may be found in the appropriate prospectus, and/or annual report and/or custodial agreement.

Assets in your account(s) may be invested by Manager with investment discretion over your account(s) in shares of a management investment company or mutual fund for which an affiliate of STIS, performs advisory or other services ("Affiliated Fund"), within certain limits, and receives management or other fees for such services ("Affiliated Fund Fees") that are separate and distinct from the fees that STIS receives that STIS receives pursuant to the investment advisory agreement between client and STIS. If, in the exercise of its investment discretion in accordance with the client investment management agreement or at your direction, Manager invests 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 client investment management 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 review and approve the fund companies in the program each year and IARs utilizing money market fund or mutual funds in client portfolios must select from the approved list.

Asset Valuation: For purposes of the computation of the value of any securities or other investments in an AMC Advantage 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.

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 Agreement.

For the duration of the investment management 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.

The AMC Advantage program may cost clients more or less than purchasing investment advisory services separately. Factors that may bear upon the cost of the AMC Advantage program 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.

## **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 Advantage 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.

The minimum account size for an AMC Advantage account is \$100,000, but under certain circumstances, we may waive or adjust this minimum. Some Managers may have higher or lower minimum account sizes.

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

Client should read the Manager's Brochure regarding the methods of analysis and investment strategies used in managing client assets.

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

#### Cash Balances

Client should read the Manager's Brochure for specifics of how cash balances are treated.

## **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 a dealer agreement with the distributor of the RidgeWorth Funds, which are advised by an affiliated investment adviser, RidgeWorth Capital Management, Inc. ("RidgeWorth"). Under the agreement, STIS is compensated for selling shares of the funds for investment as a broker-dealer. No-load shares of the RidgeWorth Funds may be purchased in applicable STIS advisory program accounts and STIS does not receive any compensation from the distributor for these shares.

STIS 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 and 2) providing information to our clients regarding the funds. 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 also has entered into a solicitor agreement with RidgeWorth. Under the agreement, STIS IARs solicit clients for RidgeWorth's advisory services and STIS receives compensation for the solicitations.

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 for each such Model Portfolio and/or Asset Allocation Model. SunTrust Bank will also provide initial and ongoing due diligence with respect to sub-advisers, Model Portfolio managers, and their models, mutual funds and ETFs in the AMC Fund Select Advisor, AMC Fund Select Tactical and AMC Pinnacle Programs.

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. Further, the firm limits the percentage of a client's portfolio invested in these affiliated funds to 35% in the AMC Advise program accounts. 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 by STIS employees must be conducted in compliance with all applicable laws and procedures adopted by STIS.

### *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.

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**

STIS clients participating in AMC Advantage must open a brokerage account with STIS. STIS uses NFS as the 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.

By directing a Manager to execute transactions for the account through STIS, a client may obtain less favorable net price and quality of execution than the Manager's other clients whose trades are executed through another broker-dealer

selected by the Manager. For fixed income transactions, any such disparity in price or execution quality is likely to be greatest with less liquid fixed income securities, such as municipal bonds, or less liquid securities issued by corporations or government or agency issuers. Clients may forego benefits that a Manager may be able to obtain for its other clients through, for example, negotiating volume discounts on block trades.

Managers will execute equity transactions through a broker or dealer other than STIS only when a Manager reasonably believes in good faith that such other broker or dealer will provide better execution (after taking into consideration the net impact of commissions or other transaction charges) than would be the case if the transaction were executed through STIS. In evaluating which broker or dealer will provide better execution, a Manager may consider the full range and quality of a broker's or dealer's services, including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility and responsiveness. A Manager may select broker-dealers that provide the Manager with research or other transaction-related services and may cause the client to pay such broker-dealer commissions for effecting transactions in excess of the commissions other broker-dealers may have charged. Brokerage commissions and other fees and charges imposed if a Manager chooses to effect equity securities transactions for the client's account with or through a broker-dealer other than STIS are not included in the Program Fee, , but will be included in the net purchase or sales price of the security and in addition to the Program Fee. For details regarding a Manager's execution practices, the client should consult the Manager's Brochure.

Clients should review the Manager's Brochure regarding aggregation of trade orders.

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.

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

Class Actions 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**

The firm's supervisory structure has two channels, a Financial Advisor ("FA") channel and a Wealth channel, the firm's Regional, Area and Group Managers oversee the activities of the advisors in both channels. The FA channel consists of seven areas and the Wealth channel has three areas. The Regional, Area and Group Managers delegate certain supervisory reviews to the firm's Group Supervisory Specialist Team 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 Advise 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.

Lockwood will prepare Quarterly Reports ("Reports") which compares the client's account to leading securities market indices. Lockwood 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) or Manager expressly retains the authority and responsibility for the voting of such proxies. The Manager generally will receive all shareholder communications, including proxy statements and proxies, distributed by the issuers of securities held in client accounts without forwarding the same to clients. Clients should review the Manager's Brochure for specifics regarding the Manager's voting policies.

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