

## MUNICIPAL ADVISOR DISCLOSURE STATEMENT

Developing best practices for regulatory compliance and following the spirit, not just the letter, of any applicable regulation are central tenets of First Tryon Advisors, LLC (“First Tryon”) Statement of Core Values. To that end, we are writing to provide you with this Disclosure Statement of Municipal Advisor (this “Disclosure Statement”) to explain our fiduciary duties and commitment to you (the “Client”), as well as to provide you with certain disclosures that are required by the Municipal Securities Rulemaking Board (“MSRB”) Rule G-42 (“Rule G-42”), which became effective on June 23, 2016.

**FIDUCIARY DUTY:** In the conduct of all municipal advisory activities for the Client, First Tryon is subject to a fiduciary duty that includes a Duty of Loyalty and a Duty of Care.

First Tryon’s Duty of Care includes, but is not limited to, the following:

- First Tryon Advisors must possess the degree of knowledge and expertise needed to provide the Client with informed advice.
- First Tryon Advisors must make a reasonable inquiry as to the facts that are relevant to the Client’s determination as to whether to proceed with a course of action or that form the basis for any advice provided to the Client.
- First Tryon Advisors must undertake a reasonable investigation to determine that it is not basing any recommendation on materially inaccurate or incomplete information. Among other matters, First Tryon Advisors must have a reasonable basis for:
  - o any advice provided to or on behalf of the Client;
  - o any representations made in a certificate that it signs that will be reasonably foreseeably relied upon by the Client, any other party involved in the municipal securities transaction or municipal financial product, or investors in the Client’s securities or securities secured by payments from the Client; and
  - o any information provided to the Client or other parties involved in the municipal securities transaction in connection with the preparation of an official statement for any applicable issue of municipal securities.

First Tryon’s Duty of Loyalty includes, but is not limited to, the following:

- First Tryon Advisors must deal honestly and with the utmost good faith with the Client and act in the Client’s best interests without regard to First Tryon’s financial or other interests.
- First Tryon Advisors may not engage in municipal advisory activities for the Client if First Tryon cannot manage or mitigate its conflicts of interest in a manner that will permit it to act in the Client’s best interests.

**FIRST TRYON’S RECOMMENDATIONS TO CLIENTS:** Rule G-42 requires that our advisors have a reasonable basis to believe that any recommendation First Tryon makes to the Client is suitable for the Client, based on the information obtained through our reasonable diligence. If the Client requests a review of another party’s recommendation, our advisors must determine, based on the information obtained through our reasonable diligence, whether the recommendation is suitable for the Client. In addition, First Tryon must inform the Client of:



- our evaluation of the material risks, potential benefits, structure, and other characteristics of the recommended municipal securities transaction or municipal financial product;
- the basis upon which First Tryon reasonably believes that the recommendation (or reviewed recommendation) is or is not suitable for the Client; and - whether our advisors have investigated or considered other reasonably feasible alternatives to the recommendation that might also serve the Client's objectives.

**PROHIBITED ACTIVITIES:** Rule G-42 prohibits First Tryon, and any other municipal advisor, from engaging in the following activities:

- receiving compensation that is excessive in relation to the municipal advisory activities actually performed;
- delivering an invoice for fees or expenses for municipal advisory activities that is materially inaccurate in its reflection of the activities actually performed or the personnel that actually performed those activities;
- making any representation or the submission of any information that First Tryon knows or should know is either materially false or materially misleading due to the omission of a material fact about the capacity, resources or knowledge of First Tryon, in response to requests for proposals or qualifications or in oral presentations to the Client or another prospective client, for the purpose of obtaining or retaining an engagement to perform municipal advisory activities;
- making, or participating in, any fee-splitting arrangement with underwriters on any municipal securities transaction as to which it has provided or is providing advice, and any undisclosed feesplitting arrangements with providers of investments or services to the Client; and
- making payments for the purpose of obtaining or retaining an engagement to perform municipal advisory activities

**MANDATORY DISCLOSURES REGARDING CONFLICTS:** Under Rule G-42, First Tryon must disclose to you in writing any actual or potential material conflicts of interest, including:

- any First Tryon affiliate that provides any advice, service or product to or on behalf of the Client that is directly related to the municipal advisory activities to be performed by First Tryon;
- any payments made by First Tryon, directly or indirectly, to obtain or retain an engagement to perform municipal advisory activities for the Client;
- any payments received by First Tryon from a third party to enlist First Tryon's recommendation to the Client of its services, any municipal securities transaction or any municipal financial product;
- any fee-splitting arrangements involving First Tryon and any provider of investments or services to the Client;
- any conflicts of interest arising from compensation for municipal advisory activities to be performed that is contingent on the size or closing of any transaction as to which First Tryon is providing advice; and - any other actual or potential conflicts of interest, of which First Tryon is aware after reasonable inquiry, that could reasonably be anticipated to impair First Tryon's ability to provide advice to or on behalf of the Client in accordance with the fiduciary duty it owes to the Client.



Please be aware of the following actual or potential material conflicts of interest related to our role as your advisor:

*Contingent Fees:* We are sometimes compensated by fees that are due and payable only upon the closing of a transaction. While this form of compensation is common in the municipal securities market, it could present a conflict of interest, as an advisor may be perceived to have an incentive to recommend closing an unnecessary transaction.

*Hourly Fees:* We are sometimes compensated using an hourly fee structure. The final fee amount may be based on the amount of time expended which may be a function, in whole or in part, of the complexity of the analysis. While this form of compensation is common in the municipal securities market, it could present a conflict of interest, as an advisor may be perceived to have an incentive to recommend a complex analysis or scope of services that is goes beyond what is necessary.

*Fees Based on the Size of a Debt Issue:* We are sometimes compensated by a fee that is dependent on the size of the debt issue (i.e., our fee increases if the size of the bond issue increases). While this form of compensation is common in the municipal securities market, it could present a conflict of interest, as an advisor may be perceived to have an incentive to recommend a transaction that is larger than necessary.

*Other Advisory Clients:* First Tryon serves a wide variety of other clients that may, from time to time, have interests that could have a direct or indirect impact on the interests of the Client. These other clients may also have interests in conflict with those of the Client. Based on our understanding of the engagement, we are not aware of any facts or circumstances that would prevent us from fulfilling our fiduciary obligations to both the Client and these other clients. If, during the course of our representation, we become aware of any facts or circumstances that would, in our professional judgment, prevent us from fulfilling such fiduciary obligations to either you or the other client, we will promptly inform each party and reach a mutually agreeable arrangement before proceeding with any additional work.

*Ordinary Course of Business:* First Tryon Securities is a broker-dealer that engages in a broad range of securities-related dealer activities, in addition to serving as a municipal advisor. Such securities related activities may include, but are not limited to, the buying and selling of new issue and outstanding securities of the Client. First Tryon Securities, in connection with its sales and trading activities, may take a principal position in securities, including securities of the Client, and therefore First Tryon Securities could have a conflict of interest with the Client in that it could create the incentive for First Tryon to make recommendations to the Client that could result in more advantageous pricing of the Client's bonds in the marketplace. Any potential conflict relating to First Tryon Securities' activities are mitigated by the fact that such activities are conducted on customary terms in the ordinary course of business by units that operate independently from First Tron's municipal advisory business.

In addition to any specific mitigating factors cited in this section, we believe the following factors enable First Tryon to manage and mitigate the conflicts described above:



*Fiduciary Duty:* First Tryon's commitment to the fiduciary duty it owes the Client serves as a general mitigating factor for any conflict of interest. Taken together, the Duty of Care and the Duty of Loyalty require First Tryon to deal honestly and in good faith with the Client and to act in the Client's best interests, without regard to First Tryon's financial or other interests.

*Business Model and Capitalization:* Because it is a registered broker-dealer and due to the nature of its core businesses, First Tryon Securities is well-capitalized, and its business model is not dependent on maximizing short-term revenues from any single advisory client or recommendation. Instead, First Tryon's business model and profitability are dependent on cultivating long-term client relationships based on a demonstrated track record of putting our clients' interests first.

*Supervisory Structure:* First Tryon has the experience, expertise and infrastructure to ensure compliance with all of its regulatory obligations. The firm's supervisory structure, which includes a fulltime Chief Compliance Officer, and other safeguards ensure that our advisors understand, and act in accordance with, the fiduciary duty First Tryon owes to each of its clients.

**MANDATORY DISCLOSURES REGARDING DISCIPLINARY EVENTS:** Under Rule G-42, First Tryon must disclose to you in writing (1) any legal or disciplinary event that is material to the Client's evaluation of First Tryon or the integrity of its management or advisory personnel and (2) the date of the last material change or addition to the legal or disciplinary event disclosures on any Form MA or Form MA-I filed with the SEC by First Tryon, along with a brief explanation of the basis for the materiality of the change or addition.

*Material Legal or Disciplinary Events:* First Tryon does not have any legal events or disciplinary history on First Tryon's Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation.

*How to access Form MA and Form MA-I:* First Tryon's most recent Form MA and each most recent Form MA-I filed with the SEC may be accessed electronically at the following website:  
[www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html)

**Most Recent Change in Legal or Disciplinary Event Disclosure:** There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC. If any material legal or regulatory action is brought against First Tryon, we will provide complete disclosure to the Client in detail.

**FUTURE DISCLOSURES:** As required by Rule G-42, First Tryon will, throughout the course of its engagement with the Client, promptly notify the Client in writing to supplement or amend this Disclosure Statement as may be necessary in connection with (1) any changed circumstance that results in new, material conflicts of interest or material changes to the conflicts of interest described above or (2) any required update to First Tryon's disciplinary event information.

If you have any questions or concerns about this Disclosure Statement or the information above, please make those questions or concerns known immediately. In addition, the Client should consult with its own legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

