

## 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”). To that end, we are providing 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 must possess the degree of knowledge and expertise needed to provide the Client with informed advice.
- First Tryon 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 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 must have a reasonable basis for:
  - any advice provided to or on behalf of the Client;
  - 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
  - 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 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 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; and
- 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 fee splitting 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; and
- 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 Based on closing & size of transaction:* First Tryon represents that in connection with the issuance of municipal securities, First Tryon may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, First Tryon hereby discloses, that such contingent and/or transactional compensation may present a potential conflict of interest regarding First Tryon's ability to provide unbiased advice to enter into such transaction. While this form of compensation is common in the municipal advisor sector, the contingent fee arrangement could create an incentive for the municipal advisor to recommend unnecessary financings or financings that are disadvantageous to the Client, or to advise the Client to increase the size of the issue. This potential conflict of interest will not impair First Tryon's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Client.

- *Hourly Fees:* First Tryon may be compensated using an hourly fee structure with First Tryon's aggregate fee amount equaling the number of hours worked by its personnel multiplied by an agreed-upon hourly billing rate. While this form of compensation is common in the municipal advisor sector, it presents a potential conflict of interest because it could create an incentive for the municipal advisor to recommend alternatives that would result in more hours worked. This conflict of interest will not impair First Tryon's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Client.
- *Fixed Fees:* First Tryon may be compensated based on a fixed amount established at the outset of the assignment. The fixed fee amount is usually based upon an analysis by the Client and First Tryon's of, among other things, the expected duration and complexity of the transaction and the Scope of Services to be performed by First Tryon. While this form of compensation is also common in the municipal advisor sector, it presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, the municipal advisor may suffer a loss. Thus, the municipal advisor may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. This conflict of interest will not impair First Tryon's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Client.
- *Increased Cost:* We wish to also make you aware that the fee paid to First Tryon increases the cost of transactions completed by the Client. The increased cost occurs from compensating First Tryon for municipal advisory services provided.
- *Other Advisory Clients:* First Tryon serves a wide variety of clients that may from time to time have interests that could have a direct or indirect impact on the interests of another First Tryon client. For example, First Tryon serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to the Client. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, First Tryon could potentially face a conflict of interest arising from these competing client interests. First Tryon fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with the Client.

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:* First Tryon 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 reasonably designed to achieve compliance with its regulatory obligations. The firm's supervisory structure, which includes a 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-1:* 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.