

# **FIRST HORIZON ADVISORS, INC. PART 2A FORM ADV FIRM BROCHURE**

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[www.firsthorizon.com](http://www.firsthorizon.com)



## **CORPORATE RETIREMENT PLAN SERVICES / OTHER INVESTMENT ADVISORY SERVICES**

**This brochure provides information about qualifications and business practices of First Horizon Advisors, Inc. If you have any questions about this brochure, please contact us at 901-818-6065. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. First Horizon Advisors, Inc. is registered with the SEC as a registered investment adviser.**

**Additional information about First Horizon Advisors, Inc. is available on the Securities and Exchange Commission website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

References to First Horizon Advisors, Inc. as a “registered investment advisor” or as being “registered” does not imply a certain level of skill or training.

**(Item 2) MATERIAL CHANGES**

At least annually, we will provide you a summary of the material changes made to our Firm Brochure or a complete copy of the updated Firm Brochure. At any time, you can request a complete copy of the brochure by contacting us at 901-818-6065. This section describes the material changes made to our Firm Brochure since the last annual update of the Firm Brochure in March, 2019.

In October 2019, FTB Advisors, Inc. changed its name to First Horizon Advisors, Inc.

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#### **(Item 4)      ADVISORY BUSINESS**

First Horizon Advisors, Inc. (formerly known as FTB Advisors, Inc.) is the successor-in-interest to First Tennessee Advisory Services, Inc. (“FTAS”). FTAS was organized in 2007 as a wholly owned subsidiary of First Tennessee Bank National Association, now known as First Horizon Bank (“First Horizon”). First Horizon is a wholly owned subsidiary of First Horizon National Corporation (“FHNC”), a financial services holding company. FHNC is a publically held company. On June 3, 2013, FTAS merged with and into its affiliated broker-dealer, First Tennessee Brokerage, Inc., and the combined entity was renamed FTB Advisors, Inc. In October 2019, FTB Advisors, Inc. changed its name to First Horizon Advisors, Inc.

Investment management services provided by the Advisor include the following:

- Managed Account Solutions Program (“MAS Program”) including the following account options:
  - First Horizon Advisors Model Portfolio Accounts
  - Adviser Model Managed Accounts
  - Adviser Directed Unified Managed Accounts
  - Separately Managed Accounts
  - WealthBuilder Model Accounts
- First Horizon Digital Advisor is an investment program available only through an interactive online program platform
- Corporate Retirement Plan Services
- Other Investment Advisory Services
- During 2020, the Advisor will begin offering financial planning services.

The MAS Program is a wrap account program which includes the various investment management account options identified above. The Advisor is the MAS Program sponsor and Envestnet Asset Management, Inc. and its affiliates (“Envestnet”) provide certain investment management and administrative services for the MAS Program. The Advisor provides portfolio management services for certain account options within the MAS Program and receives a portion of the wrap fee for its services. MAS Program clients receive a separate wrap fee brochure which describes the MAS Program account options and other important information including the fees the Advisor receives for providing services to the wrap accounts. For First Horizon Advisors Model Portfolio Accounts, the Advisor will typically purchase and sell the same securities at the same time for all accounts utilizing the same investment strategy. When providing Other Investment Advisory Services, the Advisor will take into consideration individual client needs such as the client’s tax situation and holdings outside of the client’s account.

Corporate Retirement Plan Services (“CRP Services”) are provided to pension and savings plans including ERISA plans, government plans, and church plans. CRP Services include:

- search and recommendations of investment managers for management of plan assets
- recommendations of investment options to be used for the plan
- assistance in selection of plan service providers
- ongoing review and reporting concerning selected investment managers and investment options

- employee education and plan enrollment services
- benchmarking service to help determine plan costs vs. that of peer plans
- assist in the preparation of investment policy statement
- search and recommendation of Qualified Default Investment Alternative (“QDIA”)

The client enters into an agreement with the Advisor which describes specific CRP Services to be provided to the client.

Other Investment Advisory Services are provided on a discretionary or non-discretionary basis. Unless otherwise specified in the client agreement, these services involve providing ongoing investment advice. Services available include a review of the current investment portfolio and a consultation to understand the current financial situation, investment objectives and recommendations for the client to consider. The client agreement identifies the specific services to be provided to a client. The Advisor develops an investment policy for the client or reviews an existing investment policy in order to recommend an appropriate asset allocation. Additional services include the selection of securities or managers, monitoring of portfolio risk adjusted performance, progress towards or changes in objectives as well as providing performance reporting and economic updates. Where the Advisor recommends investment managers for an account, the arrangement will be provided through a sub-manager relationship with the Advisor. Under a sub-manager arrangement, the Advisor has authority to terminate a sub-manager and to replace the current sub-managers with another sub-manager.

Other Investment Advisory Services and CRP Services are tailored to meet the specific needs of a client. These needs are often outlined in a written investment policy statement or similar documentation for the account or identified in the agreement between the client and the Advisor for the services. A client may impose restrictions on investing in certain types of securities.

Total assets managed on a discretionary basis as of December 31, 2019 were \$5,054,530,465. Total assets managed on a non-discretionary basis were \$2,155,038,976 as of December 31, 2019.

**(Item 5) FEES AND COMPENSATION**

Certain Other Investment Advisory Services and CRP Services may be provided for a fixed fee and may include a one-time review of an existing plan or portfolio, and subsequent recommendations concerning investment options or plan service provider changes. This fee is stated in the agreement between the client and the Advisor, and is negotiable. The factors considered in determining the fee include the estimated time involved, scope of the services requested and resources utilized to deliver services. Fixed consulting fees for Other Investment Advisory Services are typically billed to the client upon completion of the services.

Services that include ongoing or periodic monitoring, review and/or performance reporting of investment managers or investment options and meetings with the client or a plan’s responsible party(ies) are provided for an annual fee based upon the market value of the plan or account assets. Annual fees for these services range from .25% to 1.25%, but are negotiable. The factors considered in determining the fee include the number of managers involved, total plan or account assets, and resources required to provide the services. These fees are billed quarterly in arrears, and are calculated based upon the market value of the plan or account assets as of the last business

day of the quarter or the average market value of the plan assets during the quarter. The market value of the plan or account assets for purposes of calculating the fee is determined by the custodian or as otherwise agreed to by the client and the Advisor in the services agreement.

Fees for CRP Services may include both a fixed fee and an annual asset based fee. Fees for CRP Services are billed directly to the client unless the client elects to have the fees billed to the Plan and deducted from Plan account(s). Fees for Other Investment Advisory Services are typically deducted from the custody account.

Other Charges and Expenses. The fees charged for investment management services do not cover certain charges associated with securities transactions in clients' accounts such as brokerage commissions, mark-ups or mark-downs. In addition, client will pay a ticket charge for each transaction executed for the client's account. The amount of the ticket charge is described in the investment management agreement between the client and Advisor. See (Item 12) "Brokerage Practices" below. The fees also do not include the internal charges and fees that may be imposed by mutual funds and closed-end funds, unit investment trusts, exchange-traded funds ("ETF") or real estate investment trusts. These fees and charges include operating expenses, management fees, and may include redemption fees, 12b-1 fees and other fees and expenses. Information regarding these fees and charges may be found in the appropriate prospectus, offering document, or other regulatory filings concerning the investment.

The fees do not cover custody fees that may be charged to clients by the custodian. A custodian may charge a minimum account fee. The fees do not include brokerage fees or other transaction costs. See (Item 12) "Brokerage Practices" below. Clients also may be charged for specific account services, such as transfers, and for other optional services elected by clients. Fees do not include account service fees such as individual retirement account trustee or custody fees, tax-qualified retirement plan account fees or termination fees for retirement accounts.

See (Item 10) "Other Financial Industry Activities and Affiliations" below.

#### **(Item 6) PERFORMANCE BASED FEES**

The Advisor does not charge any performance based fees which are based on a share of capital gains or capital appreciation of the assets of a client.

#### **(Item 7) TYPES OF CLIENTS**

The Advisor's investment advisory services are available to individuals, high net worth individuals, financial institutions, pension and profit sharing plans, charitable organizations, corporations, or other business entities, trusts or estates.

The minimum market value of an account to obtain Other Investment Advisory Services is \$100,000. The Advisor may in its sole discretion, waive the account opening minimum and accept an account with a lower market value. In the circumstances where an account has dropped to a value below the minimum, the Advisor may terminate the advisory services agreement.

**(Item 8) METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Methods of Analysis – Investment Strategies. *Investment Philosophy.* Our investment philosophy is built around providing independent and objective needs based advice. We strive to diversify investments across asset classes, geographic regions, management styles and ownership structures. We use a top down approach designed around our client’s goals, objectives and risk tolerance. This approach considers relevant constraints as determined by the Investment Policy Statement or other account governing documents. These may include liquidity needs and timing of expected cash flow events as well as any constraints or legal considerations.

*Investment Strategies.* The Advisor’s Investment Committee (“IC”) sets the broad investment policy based on the firm’s investment philosophy. Considerations include asset sub-class selection, creation and maintenance of a working list of investments, purchase and sale guidelines, and rebalancing guidelines. The Advisor has identified five factors that it believes to be a framework for market evolving trends. Those factors are the macroeconomic background, the trend of the market, liquidity conditions, market psychology, and fundamental valuations.

Annually, the IC reviews capital market assumptions from industry sources. Based on this review, our strategic asset allocations and holdings may be modified. The Advisor does not advocate market timing.

*Investment Selection.* To achieve proper diversification, the Advisor considers various investment categories including separate account managers, no-load mutual funds, individual large capitalization stocks, individual investment grade bonds, ETFs, as well as hybrid mutual funds, factor based funds, real assets, hedge products and other alternative investment products.

The Advisor utilizes current economic, market and behavioral data as well as both internal and external sources for macro and micro-economic input, sector, industry, and individual security analysis. We also utilize third party software program(s) and research tools. We consider mutual funds, ETFs, separate account managers and their performance, style, and risk adjusted return measures. This data is used in the analysis of portfolios and their holdings.

*Initial Selection of Mutual Funds.* The Advisor’s analysis includes both quantitative and qualitative criteria. We seek experienced managers with a competitive performance record, stable operations, and reasonable expenses. A second layer of evaluation includes performance against relevant benchmarks and peer groups including annualized, calendar year, and rolling returns. A style analysis is performed looking for a history of consistency in the fund’s investment philosophy and style purity. Risk adjusted return measures based on Modern Portfolio Theory are also reviewed for comparison to peers. Qualitative analysis may include firm history, financial stability, service standards, regulatory infractions, and manager turnover.

*Ongoing Oversight.* As part of the regular due diligence, the Advisor will review many of the factors listed above to identify unfavorable trends over time. If an unfavorable trend has been identified, the IC will initiate an analysis to determine what actions, if any, need to be taken. The IC will consider opportunity costs and tax implications before initiating such changes.

*Fixed Income.* The Advisor constructs customized portfolios with individual bonds utilizing guidelines adopted by the IC. The fixed income process is focused on issue selection. Working from the client Investment Policy Statement, the Advisor will select securities that meet the established quality, duration, and maturity criteria. The firm may also use ETFs, mutual funds, or individual preferred securities and other diversifying securities meeting quality and liquidity requirements. The structure of the portfolio will be adjusted from time to time based on the evaluation of current and expected interest rates, economic conditions, monetary policy, fiscal policy, and inflation.

The Advisor will monitor the credit quality of account holdings utilizing third party research and Investnet system monitoring tools. If a security drops below an investment grade rating, the firm will assess the long term implications and take appropriate action as necessary.

*Equities.* Equities are screened for initial selection and monitored for continued inclusion in portfolios using quantitative analysis tools provided by third-party research firms. These tools employ multifactor analysis, including variables such as profitability, valuation, operating efficiencies, relative risk, manipulation of reported earnings, relative analyst sentiment, and corporate governance.

*ETFs.* An ETF is a fund that trades on an exchange, similar to stocks, and often seeks to track an index (e.g., S&P), commodity (e.g., oil, natural gas, gold, etc.), or a basket of assets like an index fund. As a result, ETFs often do not have the objective to outperform what they are tracking. However, some ETFs are actively managed and do not seek to track a certain index or basket of assets. ETFs may also have unique risks depending on their structure and underlying investments. ETFs may trade at a premium (above) or discount (below) to their net asset value (“NAV”), and may also be affected by the market fluctuations of their underlying investments.

Risk of Loss. Investing in securities involves risk of loss of principal that a client should be prepared to bear.

Cybersecurity Risk. Companies, markets, investment companies, including ETFs and mutual fund companies, and service providers, like us, Geode, and NFS, use a significant amount of technologies in our/their day to day functions. As a result, these entities and those individuals who use these services, or have investments in these companies, are subject to a number of cybersecurity risks. Cybersecurity risks include, but are not limited to, compromised company, employee or client data, disruption of services, corruption or loss of data, inability to perform services (e.g. trading, valuation, issuance of reports, communications), and financial losses.

Legislative and Regulatory Risk. Investments in your Account may be adversely affected by new laws or changes to existing laws or regulations. Changes to laws or regulations can impact the securities markets as a whole, specific industries, and individual issuers of securities.

Other risks may include:

- Underperforming a benchmark
- Reinvestment risk
- Inflation risk
- Not meeting financial objectives such as, retirement income and college financing
- Liquidity risk



- Political risk
- Environmental risk
- Corporate governance risk
- Global or regional disasters such as hurricanes, pandemics or other events that interrupt normal business or governmental operations

Investing in individual equities introduces idiosyncratic, or specific company risks to an investor's portfolio. The portfolios are reviewed on an ongoing basis to determine if quantitative and/or qualitative changes warrant selling a stock from the portfolio holdings.

*Equity investments* will experience volatility and market fluctuations. While diversification may mitigate these risks, extreme fluctuations can result in a loss of principal. In a volatile market, if a sale of securities is necessitated by an unforeseen event, a loss of principal can result.

*Fixed Income* investments include a wide range of securities with an equally wide range of risk levels. Risk in fixed income securities comes from several sources including default risk, interest rate risk, inflation risk, currency risk and liquidity risk.

*Default risk* is the risk that the issuer of the bond does not make good on its obligation to pay periodic interest payments or principal at maturity. Obligations of investment grade corporations (and state and local governments) are not free from default risk, but that risk is viewed as being lower. Below investment grade bonds, i.e. junk bonds, are considered speculative in nature.

*Interest Rate Risk.* Fixed Income securities also have interest rate risk; their market prices fluctuate up and down inversely with the prevailing interest rates. Notes and bonds purchased when interest rates are low can lose market value if interest rates rise prior to their maturity dates. As with stocks, if a sale of the bond is necessitated by an unforeseen event, a loss of principal can result. The longer the maturity of the bond held, the greater the interest rate risk, all else being equal.

*Inflation Risk.* The inflation risk associated with bonds is twofold: the potential loss of purchasing power plus the potential for inflation to result in higher market rates of interest. As explained above, this causes the market price of a bond to decline.

A portfolio manager can attempt to mitigate fixed income risks by including the use of high credit quality bonds, and investing in bonds with short to intermediate terms.

*Alternative securities* often carry liquidity risk as well as the risk of loss of principal. Liquidity risk is an inability to sell the security in a timely fashion should cash needs arise.

## **(Item 9) DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any disciplinary events that would be material to a client's evaluation of the Advisor and its investment staff or the integrity of the Advisor's management.

UITs. The Financial Industry Regulatory Association (FINRA) alleged that the Advisor violated FINRA Rule 2010 by failing to apply sales charge discounts to certain eligible purchases of Unit Investment Trusts ("UITs") from June 2010 to May 31, 2015. The allegations also included

failure to establish, maintain and enforce a supervisory system and written supervisory procedures reasonably designed to ensure that customers received sales charge discounts on all eligible UIT purchases (NASD Rule 3010 and FINRA Rule 2010).

The Advisor entered into an Acceptance, Waiver, and Consent with FINRA on December 3, 2015 without admitting or denying the allegations. The firm identified and reimbursed all customers for discounts which had not been applied plus interest on such amounts prior to entering into the consent, and paid a fine in the amount of \$125,000 to FINRA.

Variable Annuities. FINRA alleged that the Advisor failed to implement an adequate supervisory system and procedures designed to reasonably ensure suitability in its Multi-share Class Variable Annuity (“VAs”) sales, including L-share contracts. FINRA also alleged that during the relevant period, January 2013 – December 2014, the firm failed to establish, maintain, and enforce an adequate supervisory system and Written Supervisory Procedures (“WSPs”) related to the sale of Multi-share Class VAs, and that the firm failed to provide sufficient training to their registered representatives and principals on the sale and supervision of Multi-share Class VAs. FINRA alleged that the WSPs and training materials failed to sufficiently provide registered representatives and principals guidance or suitability considerations for sales of different VA share classes. FINRA alleged that because of the lack of sufficient training and guidance, registered representatives did not have the tools to present potential purchases with a side-by-side comparison of the fees and surrender charges or other information detailing the potential impact of the increased fee if the L-share contract was held by the customer for a long term. FINRA also alleged that the firm failed to establish, maintain, and enforce WSPs or provide sufficient guidance or training to registered representatives and principals on the sale of long term income riders with Multi-share Class VAs, particularly the combination of L-share contracts with long-term riders.

On November 2, 2016, the Advisor entered into an Acceptance, Waiver, and Consent with FINRA without admitting or denying the allegations. A fine of \$250,000 was paid to FINRA.

#### **(Item 10) OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

All executive officers and members of the IC are registered representatives of First Horizon Advisors, Inc. All employees of the Advisor who provide investment management services to clients (“Financial Advisors”) are also registered representatives of First Horizon Advisors, Inc., and an insurance agent of First Horizon Advisors, Inc. and/or its affiliated insurance agencies (collectively, “First Horizon Advisors”). Thus, a Financial Advisor may also provide brokerage products and services and insurance products (collectively, “Other Products”) to their clients. A client may purchase Other Products through other brokers or agents not affiliated with the Advisor. Financial Advisors are compensated by First Horizon Advisors in connection with the sale of “Other Products” to their clients. Expenses associated with such Other Products are different from compensation arrangements and fees (which are typically asset based) and expenses associated with investment management products and services available through the Advisor. Therefore, a Financial Advisor may have an incentive to recommend one type of product or service over another type of product or service. The Advisor manages this potential conflict by conducting initial and periodic account reviews to determine that products and services recommended to clients are suitable for the client’s investment needs. See (Item 13) “Review of Accounts” below.

First Horizon Advisors, Inc. provides brokerage services and custody services for certain client accounts through its clearing arrangement with National Financial Services LLC (“NFS”). Under this arrangement, the client will pay applicable commissions and fees for these services in addition to the fees charged for advisory services. When a client directs its brokerage services to First Horizon Advisors, Inc., the client forgoes any benefits in price or quality of execution which may be obtained when a manager for an advisory account has discretion to select the executing broker for account transactions. First Horizon Advisors, Inc. regularly monitors execution price and quality of trades for its accounts.

The Advisor provides advisory services to First Horizon customers at First Horizon financial center locations. First Horizon or its holding company provides certain support services to the Advisor, including accounting, payroll, legal and administration services.

First Horizon may provide custody services for client accounts through its Trust Division. A client executes a separate agreement with First Horizon for custody services and is charged a separate custody fee.

The Advisor provides investment management services to First Horizon’s Trust Division. In providing these services to the Trust Division, the Advisor utilizes certain model portfolios available through the MAS Program. Investment management accounts are available through the Trust Division (“Agency Accounts”), and may have similar strategies as the model portfolios available through the MAS Program. Agency Accounts are established by entering into a separate Investment Management Agreement with the Trust Division. Fees and expenses for an Agency Account may be more or less than those of a model portfolio available through the MAS Program with a similar investment strategy. For Agency Accounts, different account opening minimums apply. Agency Accounts are administered and serviced at Trust Division locations by Trust Division personnel. Financial Advisors do not provide investment management services to Agency Accounts. The Trust Division will compensate Financial Advisors for referring a client to the Trust Division if the Trust Division opens an account, including an Agency Account, for the client. Such compensation will be based upon the fees the Trust Division receives from the trust account.

First Horizon may compensate a Financial Advisor for referring advisory or brokerage customers to First Horizon for certain bank products. Such compensation may be cash or non-cash compensation, and the compensation is paid by First Horizon. Non-cash compensation may include prizes, travel, entertainment, and gift cards.

Your Financial Advisor may refer you to First Horizon if you are interested in applying for a line of credit from First Horizon secured by your advisory account. All credit decisions for this product are made by First Horizon. Your Financial Advisor will not be compensated for this referral. To pledge your securities as collateral for this line of credit, you will enter into an Account Control Agreement (“ACA”) with First Horizon and First Horizon Advisors, Inc. Under the terms of the ACA, you agree that you may not withdraw assets from your advisory account except with prior approval of First Horizon. The ACA also states that if First Horizon provides First Horizon Advisors, Inc. a notice of “exclusive control”, First Horizon Advisors, Inc. will follow instructions of First Horizon with respect to your advisory account instead of instructions from you or your Financial Advisor.

See (Item 12) “Brokerage Practices” below.

Certain investment advisors that the Advisor recommends to clients provide financial benefits to the Advisor and/or your Financial Advisor. See (Item 11) “Interest in Client Transactions” below.

**(Item 11) CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Code of Ethics and Personal Trading. The Advisor has adopted a Code of Ethics (the “Code”) which establishes standards of fiduciary conduct for its employees, including standards that apply to personal securities transactions. The Code requires compliance with policies concerning use and disclosure of non-public information and maintaining the confidentiality of customer information.

The Code also requires that certain officers of the Advisor and employees who have access to non-public information concerning purchases and sales of securities for client accounts or recommendations for such purchases or sales (“Access Persons”) report their personal securities transactions. Advisor receives reports of transactions and an annual holdings report for each Access Person. These persons are not permitted to:

- acquire securities in an IPO or private placement without obtaining prior approval from the designated compliance officer;
- execute a transaction for their own account until any orders for the same security for an advisory client’s account has been executed or withdrawn;
- recommend a security transaction for an advisory account without disclosing certain personal interests in such securities;
- receive prior approval from the designated compliance officer to serve as a director of a publicly traded company;
- purchase or sell any security designated by the Chief Investment Officer (CIO) or designee during any black-out period as determined by the CIO or designee.

The purpose of the prohibitions described above is to avoid any benefit an Access Person may obtain from trading in a security prior to execution of a trade in the same security for a client’s account. You may obtain a copy of the Advisor’s Code of Ethics by contacting us at 901-818-6065.

Interest in Client Transactions. Cash awaiting investment in an Account that is custodied with NFS or First Horizon Trust Division will be invested in a deposit account at First Horizon (“DDA”) or a money market fund (“Mutual Fund”) available through a sweep investment program provided by NFS or First Horizon Trust Division. Account balances held in the Mutual Funds or the DDA are included in the calculation of the Fee charged to your account. First Horizon, an affiliate of the Advisor, receives benefits from the funds invested in the DDA. First Horizon Advisors, Inc. may receive a fee from First Horizon for account assets invested in the DDA. NFS may receive fees from certain Mutual Funds for providing shareholder services, sub-accounting or other services to such Mutual Funds. NFS has agreed to pay to First Horizon Advisors, Inc. a portion of such fees it receives. The fee First Horizon Advisors, Inc. receives is based upon the average net assets of the accounts invested in the Mutual Funds through NFS. These conflicts are addressed

by the Advisor by providing a Disclosure Statement to each client concerning the sweep investment program and by conducting reviews of the investments used in your account as described in (Item 13) “Review of Accounts” below.

See (Item 12) “Brokerage Practices.”

## **(Item 12)      BROKERAGE PRACTICES**

First Horizon Advisors, Inc. does not have any arrangements with broker-dealers whereby it directly obtains research or other products or services in connection with client securities transactions.

The Advisor does not select broker-dealers to execute security transactions. The Advisor requests that a client direct brokerage for transactions to a specified broker-dealer. We may recommend that a client use First Horizon Advisors, Inc. or the First Horizon Trust Division for execution and custody services. When a client directs brokerage to First Horizon Advisors, Inc., the First Horizon Trust Division or another broker-dealer, the client may not receive benefits in price or quality of execution which may be obtained when the investment adviser has discretion to select the execution broker. In addition, by referring a client to the First Horizon Trust Division or First Horizon Advisors, Inc. for these services, the First Horizon Trust Division or First Horizon Advisors, Inc. will receive compensation for the execution and custody services they provide to clients.

The Advisor has a conflict of interest in recommending that a client use NFS for clearing and custody services for an account. The pricing that First Horizon Advisors, Inc. has negotiated with NFS for clearing and custody services is based upon First Horizon Advisors, Inc. maintaining certain asset levels in certain types of brokerage accounts, and on annual trade volumes. NFS provides financial assistance to First Horizon Advisors, Inc. in the form of credits to First Horizon Advisors, Inc. on the fees and charges billed to First Horizon Advisors, Inc. under its clearing agreement with NFS.

An account custodied at NFS may be invested in mutual funds or ETFs which pay shareholder servicing, 12b-1 fees or administrative services fees to the Advisor in connection with investment of the Account in shares of the mutual funds or ETFs (“Mutual Fund Fees”). Advisor has instructed NFS to pay the Mutual Fund Fees back into the Accounts that generated the Mutual Fund Fees.

IRA Accounts are charged an annual IRA maintenance fee by NFS. NFS has agreed to pay a portion of such maintenance fee to First Horizon Advisors, Inc.

The Advisor manages these conflicts by regularly reviewing execution practices and quality of trades provided by the First Horizon Trust Division and First Horizon Advisors, Inc., and by account reviews. See (Item 13) “Review of Accounts” below.

First Horizon, the parent company of the Advisor, has entered into an arrangement whereby it obtains research products and services from a broker-dealer in connection with securities transactions executed by the broker-dealer for fiduciary accounts of the First Horizon Trust Division. Those products and services include subscriptions or other access to research on equity

securities, mutual funds, and credit markets, securities pricing, market indices and other economic and securities market research. These research services are made available to the Advisor by First Horizon. The Advisor uses these services in managing all client accounts, including fiduciary accounts that the Advisor manages on behalf of the Bank.

When a client utilizes one or more separate account managers, the Advisor may recommend that the client use the First Horizon Trust Division as custodian. The relationship between the First Horizon Trust Division and the Advisor is disclosed to the client.

The Advisor does not aggregate orders for client accounts. Aggregating orders for client accounts may provide lower execution costs per share than by trading on an individual account basis.

In the event of a trade error on the part of the Advisor, the Advisor will correct the error by executing the appropriate trades for the client's account and for the Advisor's account. The Advisor will reimburse the client's account for any market loss incurred as a result of the error. In the event the trades executed for the Advisor's account to correct an error results in a gain for the Advisor's account, the Advisor will retain such gain.

### **(Item 13) REVIEW OF ACCOUNTS**

Account Reviews. The Advisor has designated certain employees as "Advisory Account Reviewers." Each account is reviewed by an Advisory Account Reviewer prior to account opening to confirm that recommendations for the account are consistent with the client's investment objectives and risk tolerance. At least annually, the Financial Advisor meets with his/her clients to determine if any changes have taken place which require a change in the client's portfolio.

For CRP Services, mutual funds and managers are reviewed with the client in accordance with the consulting agreement.

Reports. For CRP Services accounts, written reports will be provided as described in the consulting agreement with the client.

For Other Investment Advisory Services, all clients receive a written quarterly performance report from the account custodian with a breakdown of investments held, gains, losses, and current market value. Clients may receive a quarterly performance report from the Advisor if such report is described in the investment management services agreement with the client.

### **(Item 14) CLIENT REFERRALS AND OTHER COMPENSATION**

NFS, custodians, mutual fund companies, investment advisors, and other service providers or product providers that provide products or services to First Horizon Advisors in connection with brokerage and investment management services and insurance products (collectively, "Sponsors") will provide certain financial benefits to the Advisor and/or a Financial Advisor.

Sponsors provide educational training or marketing support to First Horizon Advisors and its Financial Advisors. Sponsors will contribute to the cost of conferences or meetings attended by some or all of the Financial Advisors. Such conferences and meetings include educational and training sessions as well as promotion of brokerage and advisory services and insurance products

provided by First Horizon Advisors. Some Sponsors will bear the expense for a Financial Advisor to attend due diligence trips at the Sponsors' offices. All or a portion of the costs of certain client events will be paid for by a Sponsor. Products and services provided by the Sponsors help First Horizon Advisors and its Financial Advisors manage and administer client accounts. First Horizon Advisors and the Financial Advisors will use such products and services for advisory accounts as well as other types of accounts and products offered by First Horizon Advisors. The Advisor addresses this conflict of interest through this disclosure and the account reviews as described in (Item 13) "Review of Accounts" above.

First Horizon pays a referral fee to First Horizon personnel for referring a client to the Advisor. If certain First Horizon employees refer a client to the Advisor and the client opens an advisory account, the Advisor will pay a portion of the advisory fees it receives from the advisory account to the First Horizon employee who referred the account. In accordance with the Investment Advisers Act of 1940, the Advisor may pay a referral fee to third-parties who enter into a written agreement with the Advisor to refer or introduce advisory clients to the Advisor.

**(Item 15) CUSTODY**

The Trust Division of First Horizon Bank may provide custody services to our clients who obtain investment management services. Under the SEC rules, we are deemed to have custody of accounts held by the First Horizon Trust Division. All accounts custodied by the First Horizon Trust Division will receive account statements, at least quarterly, from the First Horizon Trust Division. Clients should carefully review these account statements. Advisor does not provide a separate statement for these accounts.

**(Item 16) INVESTMENT DISCRETION**

The Advisor's authority to execute transactions for a client account without the client's prior approval or to hire or terminate an investment manager without the client's prior approval will be obtained in writing from the client. This authority is described in the investment management agreement between the Advisor and the client.

**(Item 17) VOTING CLIENT SECURITIES**

Clients receive proxies or other solicitations directly from the custodian or a transfer agent. The Advisor generally does not provide advice to clients as to how to vote such proxies. The Advisor may, on a case-by-case basis, agree to vote proxies related to certain types of security holdings. We are not aware of any relationships with an issuer which would create a conflict of interest. Clients can contact us at 901-818-6065 for more information about voting proxies for these holdings.

First Horizon Trust Division votes proxies for securities held in the Agency Accounts.

**(Item 18) FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about their financial condition. The Advisor has no financial

commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.