

CITY OF SANTA FE
PROFESSIONAL SERVICES AGREEMENT
FOR
DEBT ISSUANCE SERVICES

THIS AGREEMENT is made and entered into by and between the City of Santa Fe (the "City") and FirstSouthwest, a Division of Hilltop Securities Inc. (the "Contractor").

The date of this Agreement shall be the date when it is executed by the City and the Contractor, whichever occurs last.

1. SCOPE OF SERVICES

The Contractor shall provide the following services for the City :

- A. Work with City staff to review financing structures and proposals from underwriting firms and/or the New Mexico Finance Authority to determine the advisability, issues and considerations, and the impact(s) to the City of the financing structures and proposals. Assist the City in making final selections by reviewing, tabulating and recommending particular bidders or structures.
- B. Work with City staff (Finance, City Attorney, and using departments) to fully understand the proposals such as swaps or other more complex structures, if appropriate, including the general ledger entries required for audits, the long-term monitoring and/or actions required, and the future financial impacts.
- C. Advise the City on market conditions, including conditions affecting interest rates and timing as the City prepares to issue specific bond issues.
- D. Cooperate with bond counsel and the underwriter(s) in the review and preparation of all appropriate documents. Advise the City of any concerns.

E. Advise/assist the City in preparing for rating agency reviews and participate in these reviews.

F. Participate in bond closings and prepare closing statements incident to the delivery of the bonds. Provide the annual debt service schedule for each bond issue, and in coordination with the bond counsel, assure that the paying agent/registrar and/or trustee has been provided with necessary documentation.

G. Assist the City with independent auditor requests regarding debt related calculations or related information.

H. Advise the City of any proposed or enacted changes in federal or state laws that may affect the municipal bond market.

I. Present reports to the State (if required) for specific transactions.

J. Periodically present reports to the City Finance Committee, Public Utilities Committee and the governing body to summarize proposed and/or recommended financings.

K. The scope of future financings may include, but are not limited to:

1. Additional general obligation bonds:

a. See Exhibit A for current financings.

b. Supported by dedicated property tax

2. Additional revenue bonds for capital improvement projects:

a. See Exhibit A for current financings

b. Every other year +/- \$18 million issue

c. Supported by 'A' gross receipts tax

3. New Mexico Finance Authority Loans as may be appropriate for a project or as a more financially beneficial alternative to bonds. See Exhibit "A" attached hereto and incorporated herein.

L. Evaluate/negotiate costs of issuance to ensure reasonableness and appropriateness.

M. Evaluate ancillary agreements for banking/escrow/paying agents or trustees to ensure they are accurate and complete, and to ensure no future problems in the administration thereof.

N. Review pricing summary to ensure reasonableness.

O. Review overall City financings to determine adequacy, and advise on a more advantageous plan or structure or alternatives for future use.

P. Other financial services include but are not limited to:

1. General assistance with the City's long term financial planning, including an update of the City bonding capacity.
2. Work with bond counsel and staff to develop a debt policy for the City of Santa Fe.
3. Advice and assistance regarding exercising any call or refunding of outstanding debt instruments.
4. Advice and assistance regarding the development of the City's capital improvements programs.
5. If requested by the City, review and advise regarding certain arbitrage reports prepared by other City contractors.

Q. Work with staff to insure all post issuance compliance requirements are met in a timely fashion.

2. STANDARD OF PERFORMANCE; LICENSES

A. The Contractor represents that it possesses the personnel, experience and knowledge necessary to perform the services described under this Agreement.

B. The Contractor agrees to obtain and maintain throughout the term of this Agreement, all applicable professional and business licenses required by law, for itself, its employees, agents, representatives and subcontractors.

3. COMPENSATION

A. The City shall pay to the Contractor in full payment for services rendered not related to specific debt issuance, a sum not to exceed one hundred thousand dollars (\$100,000.00), inclusive of applicable gross receipts taxes over the term of this Agreement. Payment shall be made for services actually rendered on the basis of the hourly fee schedule attached to this Agreement as Exhibit "B" attached hereto and incorporated herein.

B. The fee schedule for services related to debt issuance is shown in Exhibit "B". Other fees for services may be included in the cost of issuance of the debt instrument and not paid directly by the City, and reimbursement for payment of those services is in addition to the compensation in Section 4 and in this section. If the other additional fees are to be compensated from bond proceeds as set out in the debt instrument, no fee will be paid if the debt instrument is not fully executed for any reason.

C. The Contractor shall be responsible for payment of gross receipts taxes levied by the State of New Mexico on the sums paid under this Agreement.

D. Payment shall be made upon receipt, approval and acceptance by the City of detailed statements containing a report of services completed. Compensation shall be paid only for services actually performed and accepted by the City.

4. APPROPRIATIONS

The terms of this Agreement are contingent upon sufficient appropriations and authorization being made by the City for the performance of this Agreement. If sufficient appropriations and authorization are not made by the City, this Agreement shall terminate upon written notice being given by the City to the Contractor. The City's decision as to whether sufficient appropriations are available shall be accepted by the Contractor and shall be final.

5. TERM AND EFFECTIVE DATE

This Agreement shall be effective when signed by the City and the Contractor, whichever occurs last, shall commence on September 1, 2017, and shall terminate on August 31, 2021, unless sooner pursuant to Article 6 below.

6. TERMINATION

A. This Agreement may be terminated by the City upon sixty (60) days written notice to the Contractor.

(1) The Contractor shall render a final report of the services performed up to the date of termination and shall turn over to the City original copies of all work product, research or papers prepared under this Agreement.

(2) If compensation is not based upon hourly rates for services rendered, the City shall pay the Contractor for the reasonable value of services satisfactorily performed through the date Contractor receives notice of such termination, and for which compensation has not already been paid.

7. STATUS OF CONTRACTOR; RESPONSIBILITY FOR PAYMENT OF EMPLOYEES AND SUBCONTRACTORS

A. The Contractor and its agents and employees are independent contractors performing professional services for the City and are not employees of the City. The Contractor, and its agents and employees, shall not accrue leave, retirement, insurance, bonding, use of City vehicles, or any other benefits afforded to employees of the City as a result of this Agreement.

B. Contractor shall be solely responsible for payment of wages, salaries and benefits to any and all employees or subcontractors retained by Contractor in the performance of the services under this Agreement.

C. The Contractor shall comply with City of Santa Fe Minimum Wage, Article 28-1-SFCC 1987, as well as any subsequent changes to such article throughout the term of this Agreement.

8. CONFIDENTIALITY

Any confidential information provided to or developed by the Contractor in the performance of this Agreement shall be kept confidential and shall not be made available to any individual or organization by the Contractor without the prior written approval of the City. These restrictions shall not apply to information that: (i) becomes publicly available through no fault of the Contractor; (ii) the Contractor lawfully acquires from a third party not under an obligation of confidentiality to the City; (iii) is independently developed by the Contractor; (iv) is required to be disclosed under laws, rules or regulations to which the Contractor is subject.

9. CONFLICT OF INTEREST

The Contractor warrants that it presently has no interest and shall not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under this Agreement. Contractor further agrees that in the performance of this Agreement no persons having any such interests shall be employed.

10. ASSIGNMENT; SUBCONTRACTING

The Contractor shall not assign or transfer any rights, privileges, obligations or other interest under this Agreement, including any claims for money due, without the prior written consent of the City. The Contractor shall not subcontract any portion of the services to be performed under this Agreement without the prior written approval of the City.

11. RELEASE

The Contractor, upon acceptance of final payment of the amount due under this Agreement, releases the City, its officers and employees from all liabilities, claims and obligations whatsoever arising from or under this Agreement. The Contractor agrees not to purport to bind the City to any obligation not assumed herein by the City unless the Contractor has express written authority to do so, and then only within the strict limits of that authority.

12. INSURANCE

A. The Contractor, at its own cost and expense, shall carry and maintain in full force and effect during the term of this Agreement, comprehensive general liability insurance covering bodily injury and property damage liability, in a form and with an insurance company acceptable to the City, with limits of

coverage in the maximum amount which the City could be held liable under the New Mexico Tort Claims Act for each person injured and for each accident resulting in damage to property. Such insurance shall provide that the City is named as an additional insured and that the City is notified no less than 30 days in advance of cancellation for any reason. The Contractor shall furnish the City with a copy of a Certificate of Insurance as a condition prior to performing services under this Agreement.

B. Contractor shall also obtain and maintain Workers' Compensation insurance, required by law, to provide coverage for Contractor's employees throughout the term of this Agreement. Contractor shall provide the City with evidence of its compliance with such requirement.

C. Contractor shall maintain professional liability insurance throughout the term of this Agreement providing a minimum coverage in the amount required under the New Mexico Tort Claims Act. The Contractor shall furnish the City with proof of insurance of Contractor's compliance with the provisions of this section as a condition prior to performing services under this Agreement.

13. INDEMNIFICATION

The Contractor shall indemnify, hold harmless and defend the City from all losses, damages, claims or judgments, including payments of all attorneys' fees and costs on account of any suit, judgment, execution, claim, action or demand whatsoever arising from Contractor's performance under this Agreement as well as the performance of Contractor's employees, agents, representatives and subcontractors.

14. NEW MEXICO TORT CLAIMS ACT

Any liability incurred by the City of Santa Fe in connection with this Agreement is subject to the immunities and limitations of the New Mexico Tort Claims Act, Section 41-4-1, et. seq. NMSA 1978, as amended. The City and its "public employees" as defined in the New Mexico Tort Claims Act, do not waive sovereign immunity, do not waive any defense and do not waive any limitation of liability pursuant to law. No provision in this Agreement modifies or waives any provision of the New Mexico Tort Claims Act.

15. THIRD PARTY BENEFICIARIES

By entering into this Agreement, the parties do not intend to create any right, title or interest in or for the benefit of any person other than the City and the Contractor. No person shall claim any right, title or interest under this Agreement or seek to enforce this Agreement as a third party beneficiary of this Agreement.

16. RECORDS AND AUDIT

The Contractor shall maintain, throughout the term of this Agreement and for a period of three years thereafter, detailed records that indicate the date, time and nature of services rendered. These records shall be subject to inspection by the City, the Department of Finance and Administration, and the State Auditor. The City shall have the right to audit the billing both before and after payment. Payment under this Agreement shall not foreclose the right of the City to recover excessive or illegal payments.

17. APPLICABLE LAW; CHOICE OF LAW; VENUE

Contractor shall abide by all applicable federal and state laws and regulations, and all ordinances, rules and regulations of the City of Santa Fe. In any action, suit or legal dispute arising from this Agreement, the Contractor agrees that the laws of the State of New Mexico shall govern. The parties agree that any action or suit arising from this Agreement shall be commenced in a federal or state court of competent jurisdiction in New Mexico. Any action or suit commenced in the courts of the State of New Mexico shall be brought in the First Judicial District Court.

18. AMENDMENT

This Agreement shall not be altered, changed or modified except by an amendment in writing executed by the parties hereto.

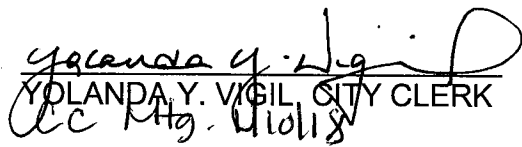
19. SCOPE OF AGREEMENT

This Agreement incorporates all the agreements, covenants, and understandings between the parties hereto concerning the services to be performed hereunder, and all such agreements, covenants and understandings have been merged into this Agreement. This Agreement expresses the entire Agreement and understanding between the parties with respect to said services. No prior agreement or understanding, verbal or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in this Agreement.

20. NON-DISCRIMINATION

During the term of this Agreement, Contractor shall not discriminate against any employee or applicant for an employment position to be used in the performance of services by Contractor hereunder, on the basis

ATTEST:


YOLANDA Y. VIGIL, CITY CLERK
cc Mr. Vigil 6/30/18

APPROVED AS TO FORM:

 6/30
KELLEY A. BRENNAN, CITY ATTORNEY

APPROVED:

 1/22/18
ADAM K. JOHNSON, FINANCE DIRECTOR

To Be Budgeted in Bond Fund for Each New Issue
Business Unit Line Item

CITY OF SANTA FE, NEW MEXICO
FY 2017-2018 BONDS & LOANS BY FUNDING SOURCE

FUNDING SOURCE	GL FUND DESCRIPTION	DATE OF	FUND	PURPOSE	PAYE	YEAR DUE	AMOUNT OF ISSUE	PRINCIPAL OUTST. 6/30/17	INT/FEES OUTST. 6/30/17	PRINCIPAL PAYABLE FY 18	INT/FEES PAYABLE FY 18	TOTAL DEBT SERVICE FY 18	PRINCIPAL OUTST. 6/30/18	INT/FEES OUTST. 6/30/18	TOTAL DEBT OUTST. 6/30/18
1/2% GRT	3102	GET Rev. Bonds 2008 - CIP	4120	CIP/Con. Ctr.	04/07/2008	2035	20,135,000	1,560,000	92,400	1,560,000	62,400	1,622,400	16,200,000	3,508,225	19,708,225
1/2% GRT	3102	GRT Refunding Bonds 2012A	4124	CIP	03/01/2012	2038	32,725,000	22,690,000	4,515,650	6,490,000	1,007,725	7,497,725	4,545,000	225,800	4,770,800
1/2% GRT	3102	GRT Refunding Bonds 2013A	4125	Partial Ref 2008	06/19/2013	2020	10,680,000	4,805,000	412,800	280,000	187,000	447,000	15,460,000	5,980,801	21,440,801
1/2% GRT	3102	GRT Refunding Bonds 2014	4127	CIP	09/30/2014	2029	15,460,000	15,460,000	6,709,319	-	728,513	728,513	6,250,000	2,475,400	8,725,400
1/2% GRT		NWA 2016B	5102	Con.Ctr.	07/13/2016	2035	6,625,000	6,625,000	2,105,200	5,000	259,800	284,800	15,610,000	2,223,308	17,833,308
1/2% GRT		NMFA 2016B	4120	CIP	07/13/2016	2035	15,610,000	15,610,000	2,918,750	-	689,442	689,442	3,795,000	456,750	4,251,750
1/2% GRT		NMFA 2016C	5805	MRC	07/13/2016	2024	5,765,000	4,790,000	696,253	995,000	MELO	1,234,509	3,795,000	456,750	4,251,750
							TOTAL GRT CIP BONDS	71,170,000	16,050,563	9,310,000	3,174,379	12,484,379	61,860,000	14,876,284	76,736,284
1/2% GRT	3102						1	2,020,000	553,450	-	87,000	87,000	2,020,000	406,450	2,426,450
1/2% GRT	3102						07,200,000	170,975	6,719	170,975	6,719	177,694	0	0	177,694
		TOTAL GRT LOANS					5,630,000	2,190,375	560,169	170,975	93,719	264,894	2,020,000	406,450	2,426,450
11/2% GRT	3102	TOTAL FROM 11/2% GRT					112,830,000	75,300,675	9,480,873	12,749,073	863,880,000	15,342,734			
PROP TAX	4150	General Obligation 2010	4150	Parks	11/01/2010	2030	10,300,000	7,695,000	1,988,922	460,000	270,794	730,794	13,086,765	718,128	13,804,893
PROP TAX	4151	General Obligation 2013	4151	Parks/Environ	07/23/2013	2033	12,000,000	10,545,000	3,374,184	520,000	342,419	862,419	6,801,057	6,801,057	13,602,116
PROP TAX	4152	General Obligation 2014	4152	Parks/Environ	07/23/2013	2033	5,863,000	5,395,000	1,792,326	210,000	176,269	386,269	6,385,950	6,385,950	12,781,919
		TOTAL FROM PROPERTY TAX					28,163,000	23,635,000	7,155,432	1,210,000	769,482	1,999,482	24,250,000	13,173,135	37,423,135
Lodger's	2122	GRT Rev. Bonds 2008-CCH/Pkg	5102	Con. Ctr./Parking	04/07/2008	2035	6,570,000	3,100,000	0,800	240,000	9,600	249,600	0	0	249,600
Lodger's	2122	NMFA #27 - CIP	5102	Ref NMFA #14	04/10/2015	0025	21,553,000	20,151,000	9,685,313	725,566	886,782	1,612,348	19,436,555	8,003,082	27,439,637
Lodger's	2122	TOTAL FROM LODGER'S TAX					28,123,000	23,251,000	10,485,113	965,566	1,076,382	1,884,781	19,436,555	8,003,082	27,439,637
Parking Rev	5153	NMFA #27 - Pkg	5153	Ref NMFA #14	04/09/2015	2035	12,407,000	11,939,850	5,247,730	431,404	525,067	956,771	11,508,444	4,722,663	16,231,109
Parking Rev	5153	TOTAL FROM PARKING REVENUE					12,407,000	11,939,850	5,247,730	431,404	525,067	956,771	11,508,444	4,722,663	16,231,109
MGR Infra	5250	GET Refunding Bonds 2019A	8286	Solid Wave	07/13/2005	2023	6,700,000	3,400,000	5,003,500	980,000	292,000	1,152,000	4,800,000	771,500	5,571,500
MGR Infra	5250	TOTAL FROM MGR INFRASTRUCTURE					8,700,000	5,840,000	1,063,500	980,000	292,000	1,152,000	4,800,000	771,500	5,571,500
MGR Envir	5450	SRT Rev. Ref. Bonds 2012B	5450	WW	03/01/2012	2022	14,280,000	8,230,000	1,291,300	1,315,000	387,000	1,702,050	6,915,000	904,250	7,819,250
WW Revenues	5450	GRT/WW Bonds 20160	5450		07/13/2016	2024	3,715,001	3,025,000	387,250	705,000	151,250	856,250	2,320,000	206,000	2,526,000
MGR Envir/Rev	5450	TOTAL FROM WATER & WW REVENUES					17,995,001	11,255,000	1,678,550	2,020,000	538,250	2,558,300	9,235,000	1,140,250	10,375,250
MC-3RT Transit	2116	NMFA Transit Buses Loan	5405	Transit	08.3.120.41	2026	3,500,000	2,716,393	355,986	86,279,644	60,546	340,162	2,436,749	295,439	2,732,188
MGR Transit	2116	TOTAL FROM MORTAL TRANSIT					3,500,000	2,716,393	355,986	86,279,644	60,546	340,162	2,436,749	295,439	2,732,188
Muni RY GRT	2120	GRT Refunding Bonds 2010B-RY	5850	Railroad	12/14/2010	2026	10,430,000	7,170,000	1,500,000	730,000	336,650	1,066,650	6,440,000	1,255,950	7,695,950
Muni RY GRT	2120	GRT Refunding Bonds 2013B	4126	Ref NMFA Pkg Cg	06/18/2013	2036	12,780,000	1,500,000	1,500,000	195,000	474,125	669,125	12,520,000	4,072,850	16,592,850
		TOTAL BONDS FROM RAILROAD GRT					24,270,000	8,670,000	3,000,000	925,000	810,775	1,735,775	19,260,000	5,328,800	24,588,800
Muni RY GRT	2120	TOTAL FROM MUNICIPAL RAILROAD GRT					24,270,000	8,670,000	3,000,000	925,000	810,775	1,735,775	19,260,000	5,328,800	24,588,800

FUNDING SOURCE	GL FUND	DATE OF DESCRIPTION	FUND	PURPOSE	ISSUE	YEAR DUE	AMOUNT OF ISSUE	PRINCIPAL OUTST. 6/30n7	INT/FEES OUTST. 6/30n17	PRINCIPAL PAYABLE FY 18	INT/FEES PAYABLE FY 18	TOTAL DEBT SERVICE FY 18	PRINCIPAL OUTST. 6/30n18	INT/FEES OUTST. 6/30n18	TOTAL DEBT OUTST. 6/30/18
Water Revenue	5300	Natel Utility Revenue 2016	5300	Water	06/13/2016	2039	38,865,000		35,765,000	875,000	1,405,000	2,280,000	34,890,000	34,890,000	53,434,250
		TOTAL BONDS FROM WATER GRT					38,865,000		949,250	875,000	1,405,000	2,280,000	18,544,250	18,544,250	53,434,250
1/4% Cap. Outlay	5300	NMFA Drinking Water - #0W2	5300	Water	05/19/2008	2029	15,150,030		35,765,000	739,481	196,001	926,482	34,690,000	34,690,000	10,193,579
1/4% Cap. Outlay	5358	NMFA Drinking Water - #0W4	5358	Water	05/03/2013	2034	2,445,292		948,250	109,405	43,788	153,193	18,544,250	18,544,250	2,451,096
		TOTAL BONDS FROM WATER GRT					17,595,292	11,989,455	1,735,195	839,886	239,789	1,079,671	1,485,569	1,485,569	12,644,975
-1-14, Cap. Outlay	All	TOTAL FROM WATER GRT					54,290,292	47,754,455	21,654,445	1,714,896	1,644,789	3,359,574	20,039,656	20,039,656	68,079,225
Environmental Rev	5250	NMFA Recycle Cart	5250	Recycle carts	2023		1,300,382	1,245,221	93,145	198,172	24,889	223,081	1,047,049	86,256	1,115,305
State Fire		NMFA Fire gear		Firefighter equip.	2025		917,815	917,815	68,800	103,035	20,041	123,076	814,780	46,758	861,538
DEPT REKT	Varies	GRT Rev Bonds 2012C - Mkt. Sln.	5856	Market Station	12/23/2012	2033	4,885,000	4,085,000	1,495,450	185,000	164,350	349,350	3,900,900	1,331,100	5,231,100
LAUREATE	5910	NMFA - College of Santa Fe - #20	5110	EdClean on	CS 18275-1	2036	29,815,717	24,915,000	17,315,704	775,000		1,545,282	24,140,000	15,770,435	39,910,435
		TOTAL FROM WATER GRT					34,300,090	29,000,000	18,611,154	980,000	1,709,616	2,569,616	28,040,000	17,101,536	45,141,536
OTHER SOURCES															
TOTAL DEBT SERVICE							3,183,315,292	248,091,823	90,740,569	15,850,005	10,535,057	29,005,552	227,741,310	19,918,037	247,659,347

EXHIBIT B

Compensation for any special projects authorized by the City that are not intended to result in the issuance of bonds will be paid at the rate of \$210 for senior vice presidents and above of the Contractor and \$150 per hour for vice presidents and other professionals. The payment for charges for financial advisory services not rendered in connection with specific issuances of debt instruments shall be due and payable upon receipt of an invoice submitted by First Southwest.

The fee levels for bond or debt issues, contingent and payable upon issuance of bonds or other debt obligations and payable from the debt instrument only, are based on issue size as follows:

<u>Debt Issue</u>	<u>Fee Paid to Contractor</u>
• First \$1 million issued	\$10,000
Next \$4 million	\$4.00 per \$1,000
• Next \$5 million	\$2.00 per \$1,000
• Next \$40 million	\$1.00 per \$1,000
• All above \$50 million	\$0.75 per \$1,000

The payment of fees for financial advisor services rendered in connection with specific issuance of debt instruments shall be due at the time that the debt instruments are delivered. Compensation for fees in connection with debt or bond issues under this section is contingent and payable upon issuance of bonds or other debt obligations.

The above fees shall not include advisory services on interest rate exchange (swap) or derivative transactions requiring opinions of fair value. The fee for such

services shall be established separately, and in situations in which it is customary and acceptable will be paid by counterparties in such transactions, fully disclosed to the City.

The City shall be responsible for the following ancillary expenses, if and when applicable, whether they are charged to the City directly as expenses or charged to the City by First Southwest as reimbursable expenses which were paid by First Southwest on behalf of the City:

- Bond printing
- Bond ratings
- Underwriter and underwriter's counsel
- Official statement preparation and printing
- Paying agent/registrar/trustee
- Computer structuring
- Credit enhancement
- CPA fees for refunding
- Travel expenses (Per Diem and Mileage Act)
- Miscellaneous including copy, delivery and phone charges

The payment of reimbursable expenses that the Contractor has assumed on behalf of the City shall not be contingent upon the delivery of debt instruments and shall be due at the time that services are rendered and payable upon receipt of an invoice submitted by FirstSouthwest.

MUNICIPAL ADVISOR DISCLOSURE STATEMENT

This disclosure statement (“Conflict Disclosures”) is provided by **FirstSouthwest, a Division of Hilltop Securities Inc.** (“the Firm”) to you (the “Client”) in connection with our current municipal advisory agreement, (“the Agreement”). These Conflict Disclosures provide information regarding conflicts of interest and legal or disciplinary events of the Firm that are required to be disclosed to the Client pursuant to MSRB Rule G-42(b) and (c)(ii).

PART A – Disclosures of Conflicts of Interest

MSRB Rule G-42 requires that municipal advisors provide to their clients disclosures relating to any actual or potential material conflicts of interest, including certain categories of potential conflicts of interest identified in Rule G-42, if applicable.

Material Conflicts of Interest – The Firm makes the disclosures set forth below with respect to material conflicts of interest in connection with the Scope of Services under the Agreement with the Firm, together with explanations of how the Firm addresses or intends to manage or mitigate each conflict.

General Mitigations – As general mitigations of the Firm’s conflicts, with respect to all of the conflicts disclosed below, the Firm mitigates such conflicts through its adherence to its fiduciary duty to Client, which includes a duty of loyalty to Client in performing all municipal advisory activities for Client. This duty of loyalty obligates the Firm to deal honestly and with the utmost good faith with Client and to act in Client’s best interests without regard to the Firm’s financial or other interests. In addition, because the Firm is a broker-dealer with significant capital due to the nature of its overall business, the success and profitability of the Firm is not dependent on maximizing short-term revenue generated from individualized recommendations to its clients but instead is dependent on long-term profitability built on a foundation of integrity, quality of service and strict adherence to its fiduciary duty. Furthermore, the Firm’s municipal advisory supervisory structure, leveraging our long-standing and comprehensive broker-dealer supervisory processes and practices, provides strong safeguards against individual representatives of the Firm potentially departing from their regulatory duties due to personal interests. The disclosures below describe, as applicable, any additional mitigations that may be relevant with respect to any specific conflict disclosed below.

I. Affiliate Conflict. The Firm, directly and through affiliated companies, provides or may provide services/advice/products to or on behalf of clients that are related to the Firm’s advisory activities within the Scope of Services outlined in the Agreement. First Southwest Asset Management (FSAM), a SEC-registered affiliate of the Firm, provides post issuance services including arbitrage rebate and treasury management. The Firm’s arbitrage team verifies rebate and yield restrictions on the investments of bond proceeds on behalf of clients in order to meet IRS restrictions. The treasury management division performs portfolio management/advisor services on behalf of public sector clients. The Firm, through affiliate First Southwest Advisory, provides a multi-employer trust tailor-made for public entities which allows them to prefund Other Post-Employment Benefit liabilities. The Firm has a structured products desk that provides advice to help clients mitigate risk through investment management, debt management and commodity price risk management products. These products consist of but are not limited to swaps (interest rate, currency, commodity), options, repos, escrow structuring and other securities. Continuing Disclosure services provided by the Firm work with issuers to assist them in meeting disclosure requirements set forth in SEC rule 15c2-12. Services include but are not limited to ongoing maintenance of issuer compliance, automatic

tracking of issuer's annual filings and public notification of material events. The Firm administers two government investment pools for Texas governments; the Short-Term Asset Reserve Fund (TexSTAR) and the Local Government Investment Cooperative (LOGIC). These programs offer Texas government entities investment options for their cash management programs based on the entities specific needs. The Firm and the aforementioned affiliate's business with a client could create an incentive for the Firm to recommend to a client a course of action designed to increase the level of a client's business activities with the affiliates or to recommend against a course of action that would reduce or eliminate a client's business activities with the affiliates. Furthermore, this potential conflict is mitigated by the fact that the Firm and affiliates are subject to their own comprehensive regulatory regime as a member of multiple self-regulatory organizations in which compliance is verified by not only internal tests but annual external examinations.

II. Other Municipal Advisor or Underwriting Relationships. The Firm 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 Client. For example, the Firm 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 Client. These other clients may, from time to time and depending on the specific circumstances, have competing interests, such as accessing the new issue market with the most advantageous timing and with limited competition at the time of the offering. In acting in the interests of its various clients, the Firm could potentially face a conflict of interest arising from these competing client interests. In other cases, as a broker-dealer that engages in underwritings of new issuances of municipal securities by other municipal entities, the interests of the Firm to achieve a successful and profitable underwriting for its municipal entity underwriting clients could potentially constitute a conflict of interest if, as in the example above, the municipal entities that the Firm serves as underwriter or municipal advisor have competing interests in seeking to access the new issue market with the most advantageous timing and with limited competition at the time of the offering. None of these other engagements or relationships would impair the Firm's ability to fulfill its regulatory duties to Client.

III. Secondary Market Transactions in Client's Securities. The Firm, in connection with its sales and trading activities, may take a principal position in securities, including securities of Client, and therefore the Firm could have interests in conflict with those of Client with respect to the value of Client's securities while held in inventory and the levels of mark-up or mark-down that may be available in connection with purchases and sales thereof. In particular, the Firm or its affiliates may submit orders for and acquire Client's securities issued in an Issue under the Agreement from members of the underwriting syndicate, either for its own account or for the accounts of its customers. This activity may result in a conflict of interest with Client in that it could create the incentive for the Firm to make recommendations to Client that could result in more advantageous pricing of Client's bond in the marketplace. Any such conflict is mitigated by means of such activities being engaged in on customary terms through units of the Firm that operate independently from the Firm's municipal advisory business, thereby reducing the likelihood that such investment activities would have an impact on the services provided by the Firm to Client under this Agreement.

IV. Broker-Dealer and Investment Advisory Business. The Firm is dually registered as a broker-dealer and an investment advisor that engages in a broad range of securities-related activities to service its clients, in addition to serving as a municipal advisor or underwriter. Such securities-related activities, which may include but are not limited to the buying and selling of new issue and outstanding securities and investment advice in connection with such securities, including securities of Client, may be undertaken on behalf of, or as counterparty to, Client, personnel of Client, and current or potential investors in the securities of Client. These other clients may, from time to time and depending on the specific circumstances, have interests in conflict with those of Client, such as when their buying or selling of Client's securities may have an adverse effect on the market for Client's securities, and the interests of such other clients could create the incentive for the Firm to make recommendations to Client that could result in more advantageous pricing for the other clients. Furthermore, any potential conflict arising from the firm effecting or otherwise

assisting such other clients in connection with such transactions is mitigated by means of such activities being engaged in on customary terms through units of the Firm that operate independently from the Firm's municipal advisory business, thereby reducing the likelihood that the interests of such other clients would have an impact on the services provided by the Firm to Client.

V. Compensation-Based Conflicts. Fees that are based on the size of the issue are contingent upon the delivery of the Issue. While this form of compensation is customary in the municipal securities market, this may present a conflict because it could create an incentive for the Firm to recommend unnecessary financings or financings that are disadvantageous to Client, or to advise Client to increase the size of the issue. This conflict of interest is mitigated by the general mitigations described above.

Fees based on a fixed amount are usually based upon an analysis by Client and the Firm of, among other things, the expected duration and complexity of the transaction and the Scope of Services to be performed by the Firm. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, the Firm may suffer a loss. Thus, the Firm may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. This conflict of interest is mitigated by the general mitigations described above.

Hourly fees are calculated with, the aggregate amount equaling the number of hours worked by Firm personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest if Client and the Firm do not agree on a reasonable maximum amount at the outset of the engagement, because the Firm does not have a financial incentive to recommend alternatives that would result in fewer hours worked. This conflict of interest is mitigated by the general mitigations described above.

PART B – Disclosures of Information Regarding Legal Events and Disciplinary History

MSRB Rule G-42 requires that municipal advisors provide to their clients certain disclosures of legal or disciplinary events material to its client's evaluation of the municipal advisor or the integrity of the municipal advisor's management or advisory personnel.

Accordingly, the Firm sets out below required disclosures and related information in connection with such disclosures.

I. Material Legal or Disciplinary Event. The Firm discloses the following legal or disciplinary events that may be material to Client's evaluation of the Firm or the integrity of the Firm's management or advisory personnel:

- For related disciplinary actions please refer to the Firm's BrokerCheck webpage.
- The Firm self-reported violations of SEC Rule 15c2-12: Continuing Disclosure. The Firm settled with the SEC on February 2, 2016. The firm agreed to retain independent consultant and adopt the consultant's finding. Firm paid a fine of \$360,000.
- The Firm settled with the SEC in matters related to violations of MSRB Rules G-23(c), G-17 and SEC rule 15B(c) (1). The Firm disgorged fees of \$120,000 received as financial advisor on the deal, paid prejudgment interest of \$22,400.00 and a penalty of \$50,000.00.
- The Firm entered into a Settlement Agreement with Rhode Island Commerce Corporation. Under the Settlement Agreement, the firm agreed to pay \$16.0 million to settle any and all claims in connection with The Rhode Island Economic Development Corporation Job Creation Guaranty

Program Taxable Revenue Bond (38 Studios, LLC Project) Series 2010, including the litigation thereto. The case, filed in 2012, arose out of a failed loan by Rhode Island Economic Development Corporation. The firm's predecessor company, First Southwest Company, LLC, was one of 14 defendants. FirstSouthwest's engagement was limited to advising on the structure, terms, and rating of the underlying bonds. Hilltop settled with no admission of liability or wrongdoing.

II. How to Access Form MA and Form MA-I Filings. The Firm's most recent Form MA and each most recent Form MA-I filed with the SEC are available on the SEC's EDGAR system at Forms MA and MA-I. The SEC permits certain items of information required on Form MA or MA-I to be provided by reference to such required information already filed by the Firms in its capacity as a broker-dealer on Form BD or Form U4 or as an investment adviser on Form ADV, as applicable. Information provided by the Firm on Form BD or Form U4 is publicly accessible through reports generated by BrokerCheck at <http://brokercheck.finra.org/>, and the Firm's most recent Form ADV is publicly accessible at the Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov/>. For purposes of accessing such BrokerCheck reports or Form ADV, click previous hyperlinks.

PART C – Future Supplemental Disclosures

As required by MSRB Rule G-42, this Municipal Advisor Disclosure Statement may be supplemented or amended, from time to time as needed, to reflect changed circumstances resulting in new conflicts of interest or changes in the conflicts of interest described above, or to provide updated information with regard to any legal or disciplinary events of the Firm. The Firm will provide Client with any such supplement or amendment as it becomes available throughout the term of the Agreement.