



MUNICIPAL ADVISORY AGREEMENT

This Municipal Advisory Agreement (the "Agreement") is made and entered into by and between City of Woodcreek, Texas (the "Issuer") and FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest"), and is dated, and shall be effective as of, the date executed by the Issuer as set forth on the signature page hereof (the "Effective Date").

WITNESSETH:

WHEREAS, the Issuer will have under consideration from time to time the authorization and issuance of municipal securities, including but not limited to the issuance and sale of evidences of indebtedness or debt obligations that may currently or in the future be authorized and issued or otherwise created or assumed by the Issuer, in amounts and forms which cannot presently be determined; and

WHEREAS, in connection with the authorization, sale, issuance and delivery of such municipal securities, as well as in connection with any matters relating to municipal financial products of the Issuer, the Issuer desires to retain a municipal advisor; and

WHEREAS, the Issuer desires to obtain the professional services of FirstSouthwest as a municipal advisor to advise the Issuer regarding the issuance of municipal securities and any municipal financial products, all as more fully described herein, during the period in which this Agreement shall be effective; and

WHEREAS, FirstSouthwest is willing to provide its professional services and its facilities as a municipal advisor in connection with the Issuer's issuances of municipal securities and any municipal financial products, all as more fully described herein, during the period in which this Agreement shall be effective.

NOW, THEREFORE, the Issuer and FirstSouthwest, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, do hereby agree as follows:

SECTION I SCOPE OF SERVICES

A. Scope of Services and Discharge of Responsibilities.

1. *Scope of Services.*

(a) FirstSouthwest is engaged by the Issuer as its municipal advisor to provide the services set forth in Appendix A hereto (the "Municipal Advisory Services"). The Municipal Advisory Services, together with any services to be provided by FirstSouthwest as the Issuer's independent registered municipal advisor ("IRMA") pursuant to subparagraph B.1 of this Section I, are hereinafter collectively referred to as the "Scope of Services" hereunder. The Scope of Services to be provided by FirstSouthwest may be changed only as provided in paragraph D of this Section I.

(b) If the Issuer engages FirstSouthwest or any of its affiliates, in a capacity other than as municipal advisor, to provide additional services that are not municipal advisory activities ("Non-Municipal Advisor Services"), such engagement for Non-Municipal Advisor Services shall be evidenced by a separate agreement between the Issuer and such party. The parties hereto acknowledge that such Non-Municipal Advisor Services shall not be governed by this Agreement and are intended to consist of activities not requiring registration as a municipal advisor under the Securities Exchange Act.

(c) The Issuer shall provide written notice to FirstSouthwest of any other municipal advisor engaged by the Issuer, whether in regard to all or any portion of the Municipal Advisory Services or for

any other aspects of the issuance of municipal securities or municipal financial products outside the scope of the Municipal Advisory Services, as described in clause (c) of subparagraph B.1 of this Section I.

2. ***Inquiries and Information in Connection with FirstSouthwest's Duties.*** If and to the extent provided in the Scope of Services, FirstSouthwest is called upon to make recommendations to the Issuer or to review recommendations made by others to the Issuer, and in connection therewith to determine whether such recommendations are suitable for the Issuer, in order to fulfill its duties with respect to such recommendations and any associated suitability determinations, FirstSouthwest is required under applicable regulations to make reasonable inquiries of the Issuer as to the relevant facts. Such facts include, at a minimum, information regarding the Issuer's financial situation and needs, objectives, tax status, risk tolerance, liquidity needs, experience with municipal securities transactions or municipal financial products generally or of the type and complexity being recommended, financial capacity to withstand changes in market conditions during the term of the municipal financial product or the period that municipal securities to be issued in the municipal securities transaction are reasonably expected to be outstanding, and any other material information known by FirstSouthwest about the Issuer and the municipal securities transaction or municipal financial product. In addition, FirstSouthwest is required under applicable regulations to use reasonable diligence to know the essential facts about the Issuer and the authority of each person acting on behalf of the Issuer so as to effectively service FirstSouthwest's municipal advisory relationship with the Issuer, to act in accordance with any special directions from the Issuer, to understand the authority of each person acting on behalf of the Issuer, and to comply with applicable laws, regulations and rules.

Accordingly, the Issuer hereby agrees to provide accurate and complete information reasonably designed to permit FirstSouthwest to fulfill its responsibilities in connection with any such recommendations and suitability determinations and to provide to FirstSouthwest reasonable access to relevant documents and personnel in connection with its required investigation to determine that any recommendations are not based on materially inaccurate or incomplete information. The Issuer acknowledges that FirstSouthwest may not be able to make requested recommendations or suitability determinations if it is not provided access to such information and that the Issuer shall be estopped from claiming a violation of FirstSouthwest's fiduciary duty to the Issuer in connection with a recommendation or suitability determination made by FirstSouthwest based on materially inaccurate or incomplete information provided by the Issuer.

3. ***Actions Independent of or Contrary to Advice.*** The parties hereto acknowledge that the Issuer shall not be required to act in accordance with any advice or recommendation provided by FirstSouthwest to the Issuer. Upon providing such advice or recommendation to the Issuer, together with the basis for such advice or recommendation, FirstSouthwest shall have discharged its duties with regard to such advice or recommendation and shall not be liable for any financial or other damages resulting from the Issuer's election not to act in accordance with such advice or recommendation. Furthermore, the Issuer shall be estopped from claiming a violation of FirstSouthwest's fiduciary duty to the Issuer as a result of its election not to act in accordance with any advice or recommendation by FirstSouthwest, including but not limited to any claim that FirstSouthwest should have taken steps, in addition to providing its advice or recommendation together with the basis therefor, to cause the Issuer to follow its advice or recommendation.

4. ***Preparation of Official Statement in Connection with Issuance of Municipal Securities.*** If and to the extent provided in the Scope of Services, FirstSouthwest is called upon to assist the Issuer in the preparation of its official statement in connection with the issuance of municipal securities, the Issuer hereby agrees to provide accurate and complete information to FirstSouthwest reasonably designed to permit FirstSouthwest to fulfill its responsibility to have a reasonable basis for any information

FirstSouthwest provides about the Issuer, its financial condition, its operational status and its municipal securities in connection with the preparation of the official statement. While FirstSouthwest may participate in the due diligence process in connection with the preparation of the official statement, if such participation is within the Scope of Services, FirstSouthwest shall not be obligated to undertake any inquiry or investigation in connection with such due diligence beyond any inquiries or investigations otherwise required by this Agreement. Furthermore, FirstSouthwest shall not be responsible for certifying the accuracy or completeness of the official statement, other than with respect to information about FirstSouthwest provided for inclusion in the official statement, if applicable. The Issuer agrees that FirstSouthwest may rely on any information provided to it by the Issuer for purposes of this paragraph.

5. ***Representations and Certifications.*** If and to the extent provided in the Scope of Services, FirstSouthwest is called upon to make representations and certifications with regard to certain aspects of matters pertaining to the Issuer, its municipal securities or municipal financial products arising as part of the Municipal Advisory Services to be provided pursuant to this Agreement, the Issuer hereby agrees to provide accurate and complete information to FirstSouthwest as may be reasonably necessary or otherwise helpful to FirstSouthwest in fulfilling its responsibility to have a reasonable basis for any representations, other than representations by FirstSouthwest regarding itself, made in a certificate signed by FirstSouthwest that may be relied upon by the Issuer, any other party involved in any matter arising as part of the Municipal Advisory Services, or investors in the Issuer's municipal securities. The Issuer agrees that FirstSouthwest may rely on any information provided to it by the Issuer for purposes of this paragraph.

B. Services as Independent Registered Municipal Advisor.

1. ***Designation as IRMA and Scope of Designation.***

(a) Subject to clause (b) of this subparagraph B.1, if the Issuer elects to designate FirstSouthwest, and FirstSouthwest agrees to represent the Issuer, as the Issuer's IRMA for purposes of Securities Exchange Commission ("SEC") Rule 15Ba1-1(d)(3)(vi) (the "IRMA exemption") with respect to the Municipal Advisory Services, FirstSouthwest will treat such role as IRMA as within the scope of Municipal Advisory Services. Any reference to FirstSouthwest, its personnel and its role as IRMA in the written representation of the Issuer contemplated under SEC Rule 15Ba1-1(d)(3)(vi)(B) shall be subject to prior approval by FirstSouthwest.

If there are any other aspects of the issuance of municipal securities or municipal financial products outside the scope of the Municipal Advisory Services with respect to which the Issuer seeks to have FirstSouthwest serve as its IRMA, such aspects, which are separate and distinct from Municipal Advisory Services for purposes of this Agreement, shall be included in Appendix A hereto and may be changed only as provided in paragraph D of this Section I. FirstSouthwest's duties as IRMA shall be strictly limited to the provision of advice to the Issuer with regard to third-party recommendations on any aspects of the issuance of municipal securities or municipal financial products outside the scope of the Municipal Advisory Services, subject to subparagraph B.3 of this Section I, and the provision of advice by FirstSouthwest to the Issuer with respect to such matters shall not result in a change in scope of the Municipal Advisory Services. By way of example, if FirstSouthwest serves as municipal advisor for an issuance of municipal securities within the scope of Municipal Advisory Services, but is asked to review a recommendation made by a third party with respect to a different issuance of municipal securities not within the scope of Municipal Advisory Services, any advice with respect to such review would not, by itself, cause such other issuance to come within the scope of Municipal Advisory Services, and FirstSouthwest would not be obligated to undertake any of the services set forth in Appendix A with regard to such issuance unless the scope of Municipal Advisory Services hereunder is amended to include such issuance.

(b) If the Issuer elects not to designate FirstSouthwest to serve as an IRMA for purposes of the IRMA exemption with respect to the Municipal Advisory Services, or if the Issuer elects to designate FirstSouthwest to serve as IRMA for less than the full range of Municipal Advisory Services, such election shall be set forth in Appendix A.

(c) The Issuer shall provide written notice to FirstSouthwest of any other municipal advisor engaged by the Issuer, whether such other municipal advisor has been designated as an IRMA, and such notice shall include the scope of services of such municipal advisor. If the Issuer has engaged, or has caused FirstSouthwest to engage through subcontract, any other party to serve as municipal advisor to the Issuer with regard to all or any portion of the Municipal Advisory Services ("Joint Municipal Advisory Services"), whether engaged jointly with or separately from FirstSouthwest (a "Co-Municipal Advisor"), the Issuer agrees that such Co-Municipal Advisor shall not be entitled to treat FirstSouthwest as an IRMA with respect to the Joint Municipal Advisory Services. Notwithstanding the preceding sentence, the Issuer may seek to have FirstSouthwest provide advice on any recommendation made by a Co-Municipal Advisor with regard to matters within the scope of Joint Municipal Advisory Services on the same terms as set forth in subparagraph B.3 of this Section I, provided that any such advice provided by FirstSouthwest shall not serve to eliminate or reduce such Co-Municipal Advisor's fiduciary or other duties as municipal advisor to the Issuer.

2. ***FirstSouthwest Not Responsible for Independence from Third Parties.*** Notwithstanding FirstSouthwest's status as an IRMA, FirstSouthwest shall not be responsible for ensuring that it is independent, within the meaning of the IRMA exemption as interpreted by the SEC, from another party wishing to rely on the exemption from the definition of municipal advisor afforded under the IRMA exemption or for otherwise ensuring that any such party not be treated as a municipal advisor for purposes of Section 15B of the Securities Exchange Act or any SEC or Municipal Securities Rulemaking Board ("MSRB") rule thereunder. The Issuer expressly acknowledges that it is the responsibility of such other party to make its own determination of independence and that such other party shall not be entitled to cause FirstSouthwest to make any personnel changes to allow such party to qualify for the IRMA exemption.

3. ***Recommendations Provided by Third Parties Relying on IRMA Exemption.*** The Issuer agrees that, to the extent the Issuer seeks to have FirstSouthwest provide advice with regard to any recommendation made by a third party relying on the IRMA exemption, the Issuer shall provide to FirstSouthwest written direction to provide advice with regard to such third party recommendation as well as any information it has received from such third party. In connection therewith, FirstSouthwest shall be authorized to communicate with such third party as necessary or appropriate in order for FirstSouthwest to have the information it needs to provide informed advice to the Issuer with regard to such recommendation. FirstSouthwest shall provide to the Issuer recommendations it receives directly from any third party but shall not be required to provide advice to the Issuer with regard to any such recommendation unless the Issuer has provided to FirstSouthwest the written direction as described above in this subparagraph B.3.

Except as may be otherwise expressly provided in writing by FirstSouthwest, no recommendation by a third-party (including but not limited to a Co-Municipal Advisor) shall be deemed to be a recommendation by FirstSouthwest, and the failure by FirstSouthwest to specifically address any aspect of a third-party recommendation shall not be viewed as FirstSouthwest having implicitly accepted or approved such aspect of the recommendation or otherwise having adopted the recommendation or any aspect thereof as its own recommendation. Furthermore, the Issuer agrees that, to the extent the Issuer does not seek to have FirstSouthwest provide advice with regard to any recommendation made by a third party relying on the IRMA exemption, FirstSouthwest shall not be required to provide any advice with regard to such recommendation notwithstanding any information it may have received from such third party.

FirstSouthwest may rely on the absence of the Issuer's written direction to provide advice with regard to a third party recommendation as indicative that the Issuer does not seek to have FirstSouthwest provide such advice.

C. Limitations on Scope of Engagement.

1. ***Express Limitations.*** The Scope of Services with respect to FirstSouthwest's engagement as municipal advisor shall be solely as provided in paragraphs A and B of this Section I and Appendix A of this Agreement, subject to the express limitations set forth in this paragraph C. The failure of the parties hereto to set out any particular service or responsibility, or any particular type or aspect of the issuance of municipal securities or municipal financial products, within the express limitations in this paragraph C shall not, by its omission, cause such service, responsibility or product to be within the scope of this engagement if not contemplated by the mutual agreement of the parties hereto or if not reasonably viewed as encompassed by the description of the Municipal Advisory Services set forth in this Agreement.

2. ***Limitation as to Matters Within Then-Current Scope of Engagement.*** It is expressly understood that FirstSouthwest serves as municipal advisor to the Issuer only with respect to the matters, and with respect to specific aspects of matters, within the then-current Scope of Services. The Issuer acknowledges that FirstSouthwest is not a municipal advisor to the Issuer with respect to matters expressly excluded from such Scope of Services as set forth in this paragraph C or matters otherwise not within the Scope of Services as set forth in paragraphs A and B of this Section I and Appendix A hereto. Without limiting the generality of the preceding sentence, the parties hereto agree that FirstSouthwest's service as municipal advisor for one issuance of municipal securities would not result in FirstSouthwest being a municipal advisor to the Issuer for any other issuances of municipal securities if such other issuances are not within the Scope of Services. It is expressly understood that FirstSouthwest shall be municipal advisor with respect to a particular issuance of municipal securities or a particular municipal financial product beginning on the earlier of (a) the date on which FirstSouthwest is assigned to serve or is otherwise put on notice by the Issuer that it will serve as municipal advisor for such particular matter or (b) the date on which FirstSouthwest first provides advice to the Issuer with respect to such particular matter, and it is further understood that FirstSouthwest shall not be deemed to be a municipal advisor to the Issuer with respect to any such particular matter prior to such date merely due to the fact that the matter falls within the general description of the Scope of Services.

3. ***Transactions and Services Outside Scope of Engagement.*** To the extent that the Issuer engages in any transaction with FirstSouthwest, or any affiliate of FirstSouthwest, as principal relating to municipal securities (including but not limited to as underwriter for the issuance of municipal securities) or municipal financial products that are not within the Scope of Services and with respect to which FirstSouthwest does not in fact provide advice other than as permitted within the exceptions and exclusions of SEC Rule 15Ba1-1, the Issuer agrees that it would not view FirstSouthwest as serving as its municipal advisor with respect to such transaction or any related issuance of municipal securities or municipal financial product. In addition, as noted in clause (b) of subparagraph A.1 of this Section I, the Issuer understands that Non-Municipal Advisor Services are outside the scope of this engagement.

4. ***Issuer Consent to Limitation in Scope.*** The Issuer expressly consents to the limitations in scope of the engagement as described in this paragraph C.

D. Change in Scope of Services. The scope of services to be provided by FirstSouthwest, whether within or outside of the scope of the Municipal Advisory Services, may be changed only by written amendment to Appendix A, and the parties hereto agree to amend such appendix promptly to reflect any

material changes or additions to the scope of such services, as applicable. Furthermore, the parties hereto agree to amend paragraph C of this Section I to reflect any material changes or additions to the limitations on the overall Scope of Services.

The parties hereto agree that if, on an infrequent or inadvertent basis, FirstSouthwest takes any actions for or on behalf of the Issuer that constitute municipal advisory activities within the meaning of MSRB Rule G-42(f)(iv) but which are not within the Scope of Services under this Agreement, such actions shall not, by themselves, serve to change the Scope of Services under this Agreement without a written amendment as provided in this paragraph. Furthermore, to the extent that any such activities not within the Scope of Services under this Agreement consists of inadvertent advice provided with respect to the issuance of municipal securities or municipal financial products that are not within the Scope of Services under this Agreement, FirstSouthwest may take such action, if any, as it deems appropriate pursuant to Supplementary Material .07 of MSRB Rule G-42 with respect to such inadvertent advice, to maintain the Scope of Services under this Agreement consistent with the intent of the parties hereto.

Amendments to Appendix A may be effected by replacement of the prior version of the appendix with a new version or by the addition of an addendum to such appendix, provided that any such amended appendix shall be dated as of its effective date and shall cause Appendix A, taken together with the provisions of this Section I, to clearly set forth the then-current scope of FirstSouthwest's engagement hereunder and any limitations to such scope.

E. Non-Municipal Advisory Activities Related to Scope of Services. The Scope of Services under this Agreement is intended to encompass activities subject to the provisions of Securities Exchange Act Section 15B and the rules of the SEC and MSRB thereunder relating to municipal advisory activities. However, the Issuer and FirstSouthwest acknowledge that in some cases the range of activities necessary or appropriate to provide the intended services hereunder in a fair, effective and efficient manner for the benefit of the Issuer may involve a combination of actions that consist of municipal advisory activities and actions that may not qualify as municipal advisory activities. Unless otherwise prohibited by Securities Exchange Act Section 15B or any rule of the SEC or MSRB thereunder, the fact that FirstSouthwest serves as municipal advisor to the Issuer in connection with a particular matter shall not prohibit FirstSouthwest from undertaking such necessary or appropriate non-municipal advisory activities in connection therewith, and the fact that FirstSouthwest undertakes such non-municipal advisory activities within the Scope of Services under this Agreement would not, by itself, cause such activities to become municipal advisory activities for purposes Securities Exchange Act Section 15B or any rule of the SEC or MSRB thereunder.

SECTION II TERM AND TERMINATION

A. Term of this Engagement. The term of this Agreement begins on the Effective Date and ends, unless terminated pursuant to paragraph B of this Section II, on the last day of the month in which the fifth anniversary date of the Effective Date shall occur (the "Original Termination Date"). Unless FirstSouthwest or the Issuer shall notify the other party in writing at least thirty (30) days in advance of the Original Termination Date that this Agreement will not be renewed, this Agreement will be automatically renewed on the Original Termination Date for an additional one (1) year period and thereafter will be automatically renewed on each anniversary date of the Original Termination Date for successive one (1) year periods unless FirstSouthwest or the Issuer shall notify the other party in writing at least thirty (30) days in advance of such successive anniversary date.

**SECTION III
COMPENSATION, EXPENSES, LIABILITY
AND OTHER FINANCIAL MATTERS**

A. **Compensation.** The fees due to FirstSouthwest for the Municipal Advisory Services and any other services set forth in Appendix A hereto shall be as provided in **Appendix B** hereto. The Issuer has agreed to the compensation arrangements set forth in Appendix B and believes that they are reasonable and not excessive. If at any time the Issuer becomes concerned that, notwithstanding its initial belief that the compensation arrangements set forth in this Agreement are reasonable, the actual amount of compensation to be paid in accordance with such arrangements for any particular matter during the course of this engagement may potentially become excessive, the Issuer shall immediately notify FirstSouthwest in writing of its concern in that regard.

B. **Expenses.** FirstSouthwest shall be entitled to reimbursement of expenses incurred in connection with any services provided hereunder as set forth in Appendix B.

C. **Third-Party Payments.** The Issuer agrees that any request it makes to FirstSouthwest to make payments to any third party on its behalf (other than with any underwriter), whether pursuant to a fee-splitting arrangement or otherwise, shall be in writing and shall set forth the name of the recipient, the amount of payment, and a brief statement of the purpose of such payment. The Issuer agrees that the counter signature by FirstSouthwest of any such written request shall be satisfactory disclosure of such third-party payment or fee-splitting arrangement for purposes of MSRB Rule G-42(e)(i)(D) and shall, in the case of any such arrangements made after the Effective Date, serve as satisfactory written disclosure of any conflict of interest arising from such third-party payment or fee-splitting arrangement for purposes of MSRB Rule G-42(b)(i)(D) and (c)(ii).

D. **No Custody of Issuer Funds.** This engagement does not contemplate that FirstSouthwest receive deposit of or maintain custody of the Issuer's funds unless otherwise provided in Appendix A hereto.

E. **Limitation on Liability.** In the absence of willful misconduct, bad faith, gross negligence or reckless disregard of obligations or duties hereunder on the part of FirstSouthwest or any of its associated persons, FirstSouthwest and its associated persons shall have no liability to the Issuer for any act or omission in the course of, or connected with, rendering services hereunder or for any error of judgment, mistake of law, or any loss arising out of any issuance of municipal securities, any municipal financial product or any other investment.

**SECTION IV
REQUIRED DISCLOSURES**

A. **Disclosure of Conflicts of Interest and Information Regarding Legal or Disciplinary Events.** The Issuer hereby acknowledges receipt of, and has read and understands the content of, the Municipal Advisor Disclosure Statement, attached hereto as **Appendix C**, current as of the date of this Agreement, setting forth disclosures by FirstSouthwest of material conflicts of interest (the "Conflict Disclosures"), if any, and of any legal or disciplinary events required to be disclosed pursuant to MSRB Rule G-42(b) and (c)(ii). The Conflict Disclosures also describe how FirstSouthwest addresses or intends to manage or mitigate any disclosed conflicts of interest, as well as the specific type of information regarding, and the date of the last material change, if any, to the legal and disciplinary events required to be disclosed on Forms MA and MA-I filed by FirstSouthwest with the SEC.

B. Waiver of Disclosed Conflicts of Interest. By executing this Agreement, the Issuer hereby waives any conflicts of interest disclosed by FirstSouthwest in the Conflict Disclosures as of the date of this Agreement.

C. Consent to Electronic Delivery of Disclosures. By executing this Agreement, the Issuer consents, for the full term of this Agreement, to the electronic delivery of the Conflict Disclosures at no cost to the Issuer, in lieu of delivery of hard copy. The Conflict Disclosures may be delivered by email to the Issuer at manager@woodcreektx.gov, or at such other email address as the Issuer may hereafter provide in writing to FirstSouthwest.

**SECTION V
MISCELLANEOUS**

A. Choice of Law. This Agreement shall be construed and given effect in accordance with the laws of the State of Texas.

B. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Issuer and FirstSouthwest, their respective successors and assigns; provided however, neither party hereto may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party.

C. Entire Agreement. This instrument, including all appendices hereto, contains the entire agreement between the parties relating to the rights herein granted and obligations herein assumed. Any oral or written representations or modifications concerning this Agreement shall be of no force or effect except for a subsequent modification in writing signed by all parties hereto, subject to the provisions of paragraph D of Section I hereof.

**FIRSTSOUTHWEST,
a Division of Hilltop Securities Inc.**

CITY OF WOODCREEK, TEXAS

By: Hill A. Feinberg
Hill A. Feinberg
Chairman and Chief Executive Officer

By: Brenton B Lewis

Name Brenton B Lewis

By: Jim Sabonis
Jim Sabonis
Managing Director

Title: City Manager

Date: 4/12/2017

By: Andre Ayala
Andre Ayala
Vice President

**APPENDIX A
MUNICIPAL ADVISORY SERVICES**

This Appendix A sets out the scope of the Municipal Advisory Services to be performed by FirstSouthwest pursuant to the Agreement, subject to the limitations in scope set out in paragraph C of Section I of the Agreement, and with the understanding that:

(a) Individual actions taken within this scope shall be consistent with any request or direction provided by an authorized representative of the Issuer or as FirstSouthwest determines to be necessary or appropriate in furtherance of any matter for which it serves as municipal advisor. However, not all listed activities will be appropriate, necessary or applicable to any particular matter subject to this Agreement.

(b) For purposes of this Agreement, an issuance of municipal securities (an "issuance") shall encompass any and all stages in the life of an issuance, from the pre-issuance planning stage to the repayment stage.

I. New Issuances of Municipal Securities. At the direction of or upon the request of the Issuer, FirstSouthwest shall provide advice to the Issuer on any new issuances, including reofferings of outstanding issuances that are treated for purposes of the federal securities laws and/or federal tax laws as new issuances, throughout the term of this Agreement. The activities to be performed by FirstSouthwest may include, depending on the specific circumstances of an issuance and any request or direction of the Issuer, one or more of the following:

Planning for New Issuance

1. ***Survey and Analysis.*** Surveying the financial resources of the Issuer in connection with its capacity to authorize, issue and service the contemplated issuance. This survey would be expected to include an analysis of any existing debt structure as compared with the existing and projected sources of revenues which may be pledged to secure payment of debt service and, where appropriate, would include a study of the trend of the assessed valuation, taxing power and present and future taxing requirements of the Issuer. In the event revenues of existing or projected facilities operated by the Issuer are to be pledged to repayment of the contemplated issuance, the survey would be expected to take into account any outstanding indebtedness payable from such revenues, additional revenues to be available from any proposed rate increases, and additional revenues resulting from improvements to be financed by the contemplated issuance, as projected by consulting engineers engaged by the Issuer.

2. ***Future Financings.*** In connection with the contemplated issuance, considering and analyzing future financing needs as projected by the Issuer's staff and consulting engineers or other experts, if any, engaged by the Issuer.

3. ***Recommendations.*** Making recommendations to the Issuer on the contemplated issuance, including such elements as the date of issue, interest payment dates, schedule of principal maturities, options for prepayment, security provisions, and such other provisions as may be appropriate.

4. ***Market Information.*** Advising the Issuer of FirstSouthwest's view of current bond market conditions, other related forthcoming bond issues and general information (including

applicable economic data) which might normally be expected to influence interest rates or bidding conditions relevant to setting an appropriate date and time for the sale of the issuance.

5. *Elections.* In the event it is necessary to hold an election to authorize the contemplated issuance, assisting in coordinating the assembly of such data as may be required for the preparation of necessary petitions, orders, resolutions, ordinances, notices and certificates in connection with the election, including assistance in the transmission of such data to the Issuer's bond counsel.

Debt Management and Financial Implementation for New Issuance

6. *Method of Sale.* Evaluating the particular financing being contemplated, giving consideration to the complexity, market acceptance, rating, size and structure in order to make a recommendation as to an appropriate method of sale, and:

- a. If the issuance is to be sold by a competitive sale:
 - (1) Supervising the sale of the municipal securities;
 - (2) Disseminating information to prospective bidders, organizing such informational meetings as may be necessary, and facilitating prospective bidders' efforts in making timely submission of proper bids;
 - (3) Assisting the staff of the Issuer in coordinating the receipt of bids, the safekeeping of good faith checks and the tabulation and comparison of submitted bids;
 - (4) Advising the Issuer regarding the best bid and provide advice regarding acceptance or rejection of the bids; and
 - (5) Obtaining CUSIP numbers on behalf of the Issuer.
- b. If the issuance is to be sold by negotiated sale:
 - (1) Recommending for the Issuer's final approval and acceptance one or more investment banking firms, as sole underwriter or as managers of an underwriting syndicate, for the purpose of negotiating the purchase of the municipal securities;
 - (2) Cooperating with and assisting any selected sole or managing underwriter and its counsel, as well as any disclosure counsel retained by the Issuer, in connection with the preparation of any preliminary or final official statement or offering memorandum. FirstSouthwest will cooperate with and assist the underwriters in the preparation of a bond purchase contract, an underwriters' agreement and other related documents;
 - (3) Assisting the staff of the Issuer in the safekeeping of any good faith checks and providing a cost comparison to the then-current market of expenses, interest rates and prices which are proposed by the underwriters;
 - (4) Advising the Issuer on the fairness of the price offered by the underwriters;

(5) Advising the Issuer in connection with any terms and conditions it may wish to establish with respect to order priorities and other similar matters relating to the underwriting of the new issuance;

(6) If the new issuance will have a retail order period, advising the Issuer on retail eligibility criteria and other features of the retail order period and reviewing information provided by the underwriters to the Issuer in connection with retail orders received; and

(7) At the request of the Issuer, reviewing required disclosures by underwriters to the Issuer relating to their role as underwriter, conflicts of interests, material terms and risks of the issuance, and any other matters, and providing any appropriate advice to the Issuer in connection with such disclosures.

7. ***Offering Documents for Competitive Offerings.*** Coordinating the preparation of the notice of sale and bidding instructions, preliminary official statement (including cooperating with and assisting any disclosure counsel retained by the Issuer), official bid form and such other documents as may be required and submitting all such documents to the Issuer for examination, approval and certification. After such examination, approval and certification, FirstSouthwest shall provide the Issuer with a supply of all such documents sufficient to its needs and distribute sets of the same to prospective bidders for the municipal securities. FirstSouthwest also shall provide copies of the final official statement to the winning bidder purchasing the municipal securities in the MSRB-designated electronic format and in accordance with the notice of sale and bidding instructions promptly after the Issuer approves the final official statement for distribution.

8. ***Credit Ratings.*** Making recommendations to the Issuer on the advisability of obtaining one or more credit ratings for the issuance and, when directed by the Issuer, coordinating the preparation of such information as may be appropriate for submission to any rating agency. In those cases where the advisability of personal presentation of information to a rating agency may be indicated, FirstSouthwest will arrange for such personal presentations, utilizing such composition of representatives from the Issuer as may be approved or directed by the Issuer.

9. ***Trustee, Paying Agent, Registrar, Professionals and Other Transaction Participants.*** Upon request, providing advice to the Issuer in the selection of a trustee and/or paying agent/registrar, legal, accounting or other professionals, and other transaction participants relating to any issuance, and assisting in the negotiation of agreements pertinent to these services and the fees incident thereto.

10. ***Financial Publications.*** When appropriate, advising financial publications of the forthcoming sale of the municipal securities and providing them with all pertinent information.

11. ***Consultants.*** After consulting with and receiving directions from the Issuer, arranging for such reports and opinions of recognized independent consultants as may be appropriate for the successful marketing of the issuance.

12. ***Auditors.*** In the event formal verification by an independent auditor of any calculations incident to the issuance is required, making arrangements for such services.

13. **Issuer Meetings.** Attending meetings of the governing body of the Issuer, its staff, representatives or committees as requested when FirstSouthwest may be of assistance or service and matters within the scope of this engagement are to be discussed.

14. **Printing.** To the extent authorized by the Issuer, coordinating all work incident to printing or final production, physical or electronic, of the offering documents.

15. **Bond Counsel.** Maintaining liaison with bond counsel in the preparation of all legal documents pertaining to the authorization, sale and issuance of the municipal securities.

16. **Changes in Laws.** Providing to the Issuer copies of proposed or enacted changes in federal and state laws, rules and regulations having, or expected to have, a significant effect on the municipal bond market of which FirstSouthwest becomes aware in the ordinary course of its business, it being understood that FirstSouthwest does not and may not act as an attorney for, or provide legal advice or services to, the Issuer.

17. **Delivery of the Municipal Securities.** As soon as a bid for the purchase of a competitive issuance is accepted by the Issuer or the bond purchase contract for a negotiated issuance is signed by the Issuer, coordinating the efforts of all concerned to the end that the municipal securities may be delivered and paid for as expeditiously as possible and assisting the Issuer in the preparation or verification of final closing figures incident to the delivery of the municipal securities.

18. **Debt Service Schedule; Authorizing Resolution.** After the closing of the sale and delivery of the issuance, delivering to the Issuer a schedule of annual debt service requirements for the issuance and, in coordination with bond counsel, assuring that the paying agent/registrars and/or trustee has been provided with a copy of the authorizing ordinance, order or resolution.

19. **Continuing Disclosure.** Providing advice to the Issuer with regard to its continuing disclosure undertakings for its new issuances and its selection of a dissemination agent under its continuing disclosure undertakings; provided that, upon the mutual agreement of the Issuer and FirstSouthwest, FirstSouthwest may serve as dissemination agent under one or more of the Issuer's continuing disclosure undertakings upon such terms as the parties shall agree, with such service as dissemination agent being expressly excluded from the scope of this Agreement.

II. Baseline Advice on Outstanding Issuances of Municipal Securities. FirstSouthwest shall provide baseline on-going advice to the Issuer on any outstanding issuances throughout the term of this Agreement, which may include, depending on the specific circumstances of such issuance and any request or direction of the Issuer:

1. **Exercising Calls.** Providing advice and assistance to the Issuer with regard to exercising any calls of outstanding municipal securities unrelated to a refunding of such securities.

2. **Refundings and Tender Offers.** Providing advice to the Issuer with regard to opportunities for refundings of outstanding issuances or to make tender offers for outstanding issuances, whether by means of a new issuance, bank loans, or other funds of the Issuer, but not including serving as advisor in connection with the specific transaction through which such refunding or tender offer is effected. Transaction-based advice in connection with a specific new issuance of bonds to effectuate any such refunding or tender offer would be provided within the scope of Municipal Advisory Services for new issuances described in Section I above. Transaction-based advice in

connection with a specific bank loan or other transaction to effectuate any such refunding or tender offer, other than by means of a new issuance of bonds would be provided pursuant to a separate agreement as described in Section IV below.

3. **Continuing Disclosure.** Providing advice to the Issuer with regard to continuing disclosure undertakings for outstanding issuances; processes, policies and procedures to comply with continuing disclosure undertakings; and coordination of continuing disclosure obligations arising from different continuing disclosure undertakings for its various issuances. However, the preparation of continuing disclosure documents, other than in the capacity of dissemination agent under a continuing disclosure undertaking, would be provided within the scope of other services described in Section V. below.

III. Particularized Services on Outstanding Issuances of Municipal Securities. FirstSouthwest may provide to the Issuer certain additional advisory or related services in connection with particular outstanding issuances or matters affecting multiple outstanding issuances throughout the term of this Agreement, which may include, depending on the specific circumstances of such issuance and any request or direction of the Issuer:

1. **Other Post-Sale Services.** Reviewing the transaction features and documentation of outstanding issuances with legal counsel for the Issuer, bond counsel, auditors and other experts and consultants retained by the Issuer and assisting in developing appropriate responses to legal processes, audit procedures, inquiries, internal reviews and similar matters, or other services related to one or more outstanding issuances as may be agreed to by the Issuer and FirstSouthwest.

2. **Brokerage of Municipal Escrow Investments.** At the request of the Issuer, brokering the purchase of municipal escrow investments in connection with a refunding of an outstanding issuance, together with any recommendations by FirstSouthwest (but not by First Southwest Asset Management, LLC as an investment adviser) with respect to such brokerage.

IV. Services as Independent Registered Municipal Advisor (“IRMA”). At the written request of the Issuer, FirstSouthwest shall, as the Issuer’s IRMA, review and provide advice to the Issuer in connection with any recommendations, proposals, ideas or matters suggested or otherwise communicated by a third party to the Issuer with respect to the same aspects of the issuance of municipal securities or municipal financial products that are within the scope of Municipal Advisory Services. There are no aspects of the issuance of municipal securities or municipal financial products that are outside the scope of Municipal Advisory Services set forth in this Appendix.

V. Other Services Relating to Municipal Securities. FirstSouthwest agrees to make available to the Issuer other services relating to municipal securities, when so requested by the Issuer and subject to the agreement by Issuer and FirstSouthwest regarding the specific requirements with respect to such services, which requirements shall be made part of the scope of Municipal Advisory Services and included in this Appendix as an amendment or addendum, which services may include, without limitation:

1. **Capital Improvement Programs.** Providing advice and assistance in the development of any capital improvement programs of the Issuer.

2. **Long-Range Planning.** Providing advice and assistance in the development of other long-range financing plans of the Issuer.

3. *Refundings and Tender Offers.* Providing advice and assistance in executing a refunding or tender offer of an outstanding issuance other than by means of refunding bonds, such as by means of a bank loan or other funds of the Issuer.

4. *Continuing Disclosure Documents.* Preparing and providing advice with regard to the content of continuing disclosure documents in compliance with the Issuer's continuing disclosure undertakings for its outstanding issuances, other than in the capacity of dissemination agent under a continuing disclosure undertaking.

* * * * *

As provided in paragraph D of Section I of the Agreement, amendments to this Appendix A may be effected by replacement of this Appendix A with a new version hereof or by the addition of an addendum to this Appendix A, and this Appendix A, as it may have been amended, shall be dated and effective as of the most recent of the date set forth in any such amendment or the date set forth in any addendum to this Appendix A.

**APPENDIX B
FORM AND BASIS OF COMPENSATION**

This Appendix B sets out the form and basis of compensation to FirstSouthwest for the Municipal Advisory Services provided under this Agreement as set forth in Appendix A; provided that the compensation arrangements set forth in this Appendix B shall also apply to any additional services hereafter added to the scope of the Municipal Advisory Services, unless otherwise provided in the amendment to the Agreement relating to such change in scope of Municipal Advisory Services as provided in paragraph D of Section I of the Agreement.

I. New Issuances of Municipal Securities. The fees due FirstSouthwest in connection with the Municipal Advisory Services set forth in Section I of Appendix A hereto for each new issuance of municipal securities will not exceed those contained in our fee schedule as listed below:

Base Fee – Any Issue	\$15,000
plus \$5.00 per \$1,000 up to	\$10,000,000
plus \$3.50 per \$1,000 thereafter	

The above charges shall be multiplied by 1.25 for an issuance of municipal securities for which FirstSouthwest participates in the completion of an application to a federal or state government agency or for the issuance of revenue bonds, refunding bonds or variable rate bonds, reflecting the additional services required.

The payment of charges as set forth in this Section I for new issuances shall be contingent upon the delivery of the new issuance and shall be due at the time that the municipal securities are delivered.

II. Baseline Advice on Outstanding Issuances of Municipal Securities. There shall be no additional fees due FirstSouthwest in connection with the Municipal Advisory Services set forth in Section II of Appendix A hereto, with the understanding that such services are integral to FirstSouthwest's engagement as municipal advisor to the Issuer and FirstSouthwest shall be compensated for such services through and as part of the fees paid for the other services provided by FirstSouthwest hereunder.

III. Particularized Services on Outstanding Issuances of Municipal Securities. In connection with Other Post-Sale Services described in Section III of Appendix A hereto, if requested by the Issuer, FirstSouthwest may provide services based on and subject to a joint written agreement by the Issuer and FirstSouthwest regarding the specific Other Post-Sale Services requirements and corresponding compensation for such services.

In connection with the brokerage of municipal escrow investments described in Section III of Appendix A hereto, FirstSouthwest shall charge a commission that is normal and customary for investments of that type under then-current market conditions and shall disclose such commission to the Issuer so that the Issuer may consider the information in making its investment decision.

IV. Third-Party Recommendations, Proposals, Ideas or Other Matters as IRMA. In connection with its review of and advice on third-party recommendations to Issuers as an IRMA as described in Section IV of Appendix A hereto, FirstSouthwest shall charge a fee based on an hourly rate for services rendered in accordance with the schedule included above in Section III of this Appendix.

V. **Other Services Relating to Municipal Securities.** In connection with any services described in Section V of Appendix A hereto requested by the Issuer and agreed to by FirstSouthwest, the fees due with respect to any such services shall be as agreed to by the parties hereto, which terms shall be made part of the compensation provided under this Agreement and shall be included in this Appendix as an amendment or addendum hereto.

VI. **Expenses.** The Issuer shall be responsible for the following expenses in connection with the Municipal Advisory Services (including any additional services hereafter added to the scope of the Municipal Advisory Services), if and when applicable, whether they are charged to the Issuer directly as expenses or charged to the Issuer by FirstSouthwest as reimbursable expenses: bond counsel fees and expenses, bond printing costs, bond ratings fees and expenses, computer structuring costs, credit enhancement fees and expenses, accountant fees for verifications and related activities in connection with refundings, official statement preparation and printing, paying agent/registrar/trustee fees and expenses, travel expenses, underwriter and underwriter's counsel fees and expenses, and other miscellaneous expenses incurred by FirstSouthwest in the furtherance of any matter for which it serves as municipal advisor, including copy, delivery, phone and other charges normally incurred in connection with engagements of this type.

The Issuer agrees that any expense that it requests that FirstSouthwest pay to any third party on the Issuer's behalf shall be made in writing and shall be in accordance with paragraph C of Section III of the Agreement.

The payment of reimbursable expenses that FirstSouthwest has assumed on behalf of the Issuer shall NOT be contingent upon the delivery of a new issuance of municipal securities or the completion of any other transactions for which such expenses have been assumed and shall be due at the time that services are rendered and payable upon receipt of an invoice therefor submitted by FirstSouthwest, unless otherwise provided for in any amendment or addendum hereto in connection with the compensation arrangements for any services provided under the Agreement for which such amendment or addendum is required.

VII. **Development Services and Development Debt Instruments.** Upon request, FirstSouthwest will assist the Issuer in structuring and securing for any development of real property (the "Development") one or more economic incentive program(s) as described in a development agreement for the Development ("Development Agreement") entered into between the Issuer and a property owner, developer, and/or development district (a "Program").

Recognizing the expertise that FirstSouthwest possesses regarding economic incentive programs, the fee for assisting the Issuer with reviewing, analyzing and structuring land developments and land development agreements shall be:

- (i) a nonrefundable upfront cash payment of \$25,000, payable prior to commencement of the work outlined in the Scope of Services and Appendix A and not credited against any other fees due to FirstSouthwest, unless mutually agreed to by the Issuer and FirstSouthwest in writing that the fee will be deferred to and considered a base fee to (ii); and
- (ii) a fee of 2.0% of the par amount of any bonds or any other debt obligations issued by the Issuer or by an entity under the Issuer's control for the benefit of the development

(this Development related financial advisory fee will apply to any sales tax revenue bonds, contract revenue bonds or special revenue bonds that are issued, including any refunding bonds, as long as such bonds and/or debt obligations are related to a Program as defined above; provided, however, this fee will not apply to any traditional new issuance of municipal securities as it relates to typical transactions for this type of issuer for which FirstSouthwest shall receive fees as described in Section I of Appendix B).

FirstSouthwest shall be entitled to reimbursement for reasonable expenses in connection with providing the above-referenced Development consulting services to the Issuer. Expenses shall be reimbursed within thirty (30) days after receipt of a detailed invoice therefor submitted by FirstSouthwest. Expenses related to Development Services are not contingent upon a Program being agreed to or a transaction being completed.

APPENDIX C
MUNICIPAL ADVISOR DISCLOSURE STATEMENT

This disclosure statement (the "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 profitably 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.