City of Farmersville

Tax Increment Financing Reinvestment Zone No. 1

AGENDA

November 20, 2018, 4:00 P.M.

CITY COUNCIL CHAMBERS

205 MAIN ST. FARMERSVILLE

I. **Call to Order**
II. **Recognition of Citizens and Visitors**
III. **Approve the minutes of the August 22, 2018 meeting**
IV. **Approve the minutes of the September 5, 2018 meeting**
V. **Business Items for Discussion and Possible Action**
   A) Certificates of Obligation for Farmersville Pkwy/Collin Pkwy
   B) Update on Batch Plants
VII. **Discussion in Contemplation of Placing items on Future Agenda**
XI. **Adjournment**

- No action may be taken on comments received under "Recognition of Visitors"
- The Board may vote and/or act upon each of the items listed in the Agenda.
- As authorized by section 551.071 of the Texas Government Code, this meeting may be convened into closed executive session for the purpose of seeking confidential legal from the City Attorney on any item covered by such section on any Agenda item listed herein.

This facility is wheelchair accessible and accessible parking spaces are available. Requests for accommodations or interpretive service must be made 48 hours prior to this meeting. Please contact City Hall at 972/782-6151 or FAX 972/782-6604 for further information.

I, Paula Jackson, Assistant to the City Manager certify that the above Agenda for November 20, 2018 was posted in the regular posting place of the City of Farmersville on November 16th at 4:00 p.m.

Paula Jackson

PAULA JACKSON

Farmersville
DISCOVER A TEXAS TREASURE

CITY OF FARMERSVILLE
TAX INCREMENT FINANCING REINVESTMENT ZONE NO.01
Minutes For
August 22, 2018

Councilman Craig Overstreet, Tommy Ellison, Bob Collins were all present for the meeting. John Thomas and Cheryl Williams was absent. Also present was City Manager Ben 'White and Paula Jackson as staff liaison.

I. CALL TO ORDER

- Meeting was called to by Tommy Ellison at 12:10 pm.

II. RECONGNITION OF CITIZENS AND VISTORS

Randy Smith and Richard Smith

III. BUSINESS ITEMS FOR DISCUSSION AND POSSIBLE ACTION

A. Budget Workshop –

Ben White explained to the Board what was in front of them for this budget year. The Money for Big D Concrete has been pulled in. Some work has been done around the Railroad bore. But they will need to come with a SUP now. And also the Farmersville Parkway improvements from State Highway 380 to State Highway 78.

Craig Overstreet said he would like to see the fund of 168,000 for Big D Concrete placed back into the funds and refer back to as encumbered.
Motion made by Bob Collins
Second by Craig Over

Tommy Ellison stated he would like to see some Expenses added:
1000.00 for Professional services, 1000.00 for Office Supplies, 1000.00 for Travel.

Ben White the City Manager had a break down for the board for Farmersville Parkway, 4 line undivided road project. This needs to be done in three phases. The First Phase will be Collin Parkway which covers from Hwy 380 to CR 611, The Second Phase will Farmersville Parkway from Collin Parkway to Welch Dr. and the Third Phase will be from Welch Dr. to S Hwy 78.

Bob Collins asked if Camden Had been ask for help with the Cost of the Street since they will have an entrance to the Subdivision and also to the Businesses will be built facing this section of street. Ben stated no but if the City need ROW pretty sure the City can get it.
Collin Parkway cost is around 69,900. East side will be 130,000. And for Phase 3 we hope to get NCTCOG to fund. The City still has the Matching grant money from Collin County of 70,000.
Ben White stated if the Board didn't want to do this right away they could always come back do a budget amendment.

Tommy Ellison stated he would like to see TIRZ fund 130,000 year until project is completed. Craig Overstreet Second the motion on the floor. Motion all in favor.

B. Set Public Hearing Date –
Craig Overstreet made the motion to set the September 5, 2018 at 4:30 the date for Public Hearing for the TIRZ Budget.
Motion was seconded by Bob Collins.
Motion carried all in favor.

IV. ADJOURNMENT

Meeting adjourned at 1:16pm

ATTEST: APPROVE:

Paula Jackson, Assist to the City Manager Tommy Ellison, President

Farmersville
DISCOVER A TEXAS TREASURE

CITY OF FARMERSVILLE
TAX INCREMENT FINANCING REINVESTMENT ZONE NO.01
Minutes For
September 5, 2018

Councilman Craig Overstreet, Tommy Ellison, Bob Collins were all present for the meeting. John Thomas and Cheryl Williams was absent. Also present was City Manager Ben 'White and Paula Jackson as staff liaison.

I. CALL TO ORDER

- Meeting was called to by Tommy Ellison at 4:30 pm.

II. PUBLIC HEARING

Public hearing to consider, discuss and act upon a recommendation to the City Council the City of Farmersville TIRZ Board 2018-2019 Budget with request as they pertain to the development plan and/or invest in infrastructure for the economic development projects.
This public hearing was opened at 4:35 PM. With no one to speak for or against the hearing was closed 4:40 PM.
Budget will be sent to City Council.

III. BUSINESS ITEMS FOR DISCUSSION AND POSSIBLE ACTION

a. Minutes of the August 22, 2018 meeting - This item was to postponed until October 4, 2018
Motion made by: Craig Overstreet
Second made by: Bob Collins
Motion carried all in favor
b. Briefing on Collin College – Bob Collins stated Collin College will have the Contractor for the Job by the end of 2018. Ben White stated 2 different projects have to get underway so the college can proceed with building; 1) Roadway on the NE corner of the college property 2) electric to the Site along with distribution lines to site. Plans to put a Substation on the east side of the property.
c. Update on Batch Plant – Ben White spoke to the board. There are some concerns of them staying in the county due to the City requiring them to apply for SUP for Concrete Batch Plants. Ben also stated he has a meeting coming up with them and he will be asking the group the question of "What do you want" and "What do you have to have".

IV. ADJOURNMENT

Meeting adjourned at 6.:00pm

ATTEST:

Paula Jackson, Assist to the City Manager

APPROVE:

Tommy Ellison, President

CITY OF FARMERSVILLE
RESOLUTION #R-2018-1023-001

A RESOLUTION OF THE CITY OF FARMERSVILLE, TEXAS, APPROVING AND AUTHORIZING PUBLICATION OF NOTICE OF INTENTION TO ISSUE CERTIFICATES OF OBLIGATION AND DECLARING EXPECTATIONS TO REIMBURE EXPENDITURES WITH PROCEEDS OF FUTURE DEBT.

WHEREAS, the City Council of the City of Farmersville, Texas, (the "City Council") has determined that certificates of obligation should be issued under and pursuant to the provisions of Texas Local Government Code, Subchapter C of Chapter 271 (the "Act"), for the purpose of paying contractual obligations to be incurred for (i) constructing, resurfacing and improving various streets, roads, overpasses, and thoroughfares, including drainage, landscaping, curbs, gutters, sidewalks, entryways, signage, lighting and traffic signalization incidental thereto and the acquisition of land and rights-of-way thereof (collectively, the "Projects"), and (ii) professional services rendered in relation to such projects and the financing thereof; and

WHEREAS, the City Council further intends to make certain capital expenditures with respect to the Projects and currently desires and expects to reimburse such capital expenditures with proceeds of the certificates of obligation; and

WHEREAS, under Treas. Reg. § 1.150-2 (the "Regulation"), to fund such reimbursement with proceeds of tax-exempt obligations, the City Council must declare its expectation to make such reimbursement; and

WHEREAS, prior to the issuance of such certificates, the City Council is required to publish notice of its intention to issue the same in accordance with the provisions of the Act; now, therefore,

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FARMERSVILLE, TEXAS:

SECTION 1. The City reasonably expects to reimburse capital expenditures with respect to the Projects with proceeds of debt hereafter to be incurred by the City, and this resolution shall constitute a declaration of official intent under the Regulation.

SECTION 2. The City Secretary is hereby authorized and directed to cause notice to be published of the City Council's intention to issue certificates of obligation in a principal amount not to exceed $1,800,000 for the purpose of paying contractual obligations to be incurred for (i) constructing, resurfacing and improving various streets, roads, overpasses, and thoroughfares, including drainage, landscaping, curbs, gutters, sidewalks, entryways, signage, lighting and traffic signalization incidental thereto and the acquisition of land and rights-of-way thereof, and (ii) professional services rendered in relation to such projects and the financing thereof, and shall be payable from ad valorem taxes and a limited pledge of the net revenues of the City's combined Waterworks and Sewer System. The notice hereby approved and authorized to be published shall read

substantially in the form and content of **Exhibit A** hereto attached and incorporated herein by reference as a part of this resolution for all purposes.

SECTION 3. The City Secretary shall cause the aforesaid notice to be published in a newspaper of general circulation in the City, once a week for two consecutive weeks, the date of the first publication to be at least thirty-one (31) days prior to the date stated therein for the passage of the ordinance authorizing the issuance of the certificates of obligation.

SECTION 4. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Texas Government Code, Chapter 551, as amended.

SECTION 5. This Resolution shall be in force and effect from and after its passage on the date shown below.

PASSED AND APPROVED by a majority of a quorum of the City Council of the City of Farmersville, Texas, at a special called meeting on this 23rd day of October, 2018.

APPROVED THIS 23rd DAY OF OCTOBER, 2018.

By: _____
Jack Randall Rice, Mayor

ATTEST:

_____
Sandra Green, City Secretary

CITY OF FARMERSVILLE TEXAS

EXHIBIT A

NOTICE OF INTENTION TO ISSUE CITY OF
FARMERSVILLE, TEXAS, CERTIFICATES OF OBLIGATION

TAKE NOTICE that the City Council of the City of Farmersville, Texas, shall convene at 6:00 P.M. on the 11th day of December, 2018, at the City Hall, 205 S. Main Street, Farmersville Texas, and, during such meeting, the City Council will consider the passage of one or more ordinances authorizing the issuance of certificates of obligation in an amount not to exceed $1,800,000 for the purpose of paying contractual obligations to be incurred for (i) the construction of public works, to wit: constructing, resurfacing and improving various streets, roads, overpasses, and thoroughfares, including drainage, landscaping, curbs, gutters, sidewalks, entryways, signage, lighting and traffic signalization incidental thereto and the acquisition of land and rights-of-way therefor, and (ii) professional services rendered in relation to such projects and the financing thereof, such certificates to be payable from ad valorem taxes and a limited pledge of the net revenues of the City's combined Waterworks and Sewer System. The certificates are to be issued, and this notice is given, under and pursuant to the provisions of Texas Local Government Code, Subchapter C of Chapter 271.

Sandra Green City
Secretary City of
Farmersville, Texas

HilltopSecurities
A Hilltop Holdings Company.

REGULATORY DISCLOSURE REGARDING MUNICIPAL ADVISORY AGREEMENT

Hilltop Securities Inc. ("HilltopSecurities"), currently is engaged by City of Farmersville, Texas (the "Issuer") to serve as its financial advisor or municipal advisor (hereinafter referred to as ("municipal advisor") under that certain Municipal Advisory Agreement dated July 6, 2017 (the "Existing Municipal Advisory Agreement")). As of June 23, 2016, pursuant to Rule G-42 of the Municipal Securities Rulemaking Board ("MSRB"), all municipal advisors are required to evidence their municipal advisory relationships with their municipal entity clients by means of one or more written documents delivered to the client, which documentation is required to include certain specific terms, disclosures and other items of information. This Regulatory Disclosure Regarding Municipal Advisory Agreement (this "Disclosure"), together with the Existing Municipal Advisory Agreement and the accompanying disclosures, shall serve as the required written documentation of our municipal advisory relationship as required under MSRB Rule G-42.

To that end, this Disclosure reaffirms the following matters as set forth in the Existing Municipal Advisory Agreement in connection with the Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2019 (the "Transaction"):

1. *Scope of Services.*

(a) The scope of services with respect to HilltopSecurities' engagement with the Issuer is as provided in the Existing Municipal Advisory Agreement (the "Municipal Advisory Services"). For purposes of this Disclosure, such Municipal Advisory Services, together with any services to be provided by HilltopSecurities as the Issuer's independent registered municipal advisor ("IRMA") as described in clause (b) below, is referred to as the "Scope of Services."

(b) IRMA within the Scope of Municipal Advisory Services. Unless Issuer has designated an entity other than HilltopSecurities as its IRMA for purposes of Securities and Exchange Commission ("SEC") Rule 15Ba1-1(d)(3)(vi) (the "IRMA exemption"), HilltopSecurities will treat such role as IRMA as within the scope of Municipal Advisory Services. Unless the Existing Municipal Advisory Agreement otherwise provides, HilltopSecurities will provide advice with regard to any recommendation made by a third party relying on the IRMA exemption only if the Issuer provides to HilltopSecurities written direction to provide advice with regard to such third-party recommendation as well as any information it has received from such third party, and HilltopSecurities may communicate with such third party as necessary or appropriate in order for HilltopSecurities to have the information it needs to provide informed advice to the Issuer with regard to such recommendation. Unless the Existing Municipal Advisory Agreement otherwise provides, HilltopSecurities will provide to the Issuer recommendations it receives directly from any third party but will not be required to provide advice to the Issuer with regard to any such recommendation unless the Issuer has provided to HilltopSecurities written direction to do so.

IRMA Outside the Scope of Municipal Advisory Services. HilltopSecurities views its duties as being strictly limited to the provision of advice to the Issuer with regard to such third-party recommendations on any aspects of the issuance of municipal securities or municipal financial products. HilltopSecurities will provide to the Issuer such recommendations it receives directly from any third party but will not be required to provide advice to the Issuer with regard to any such recommendations unless the Issuer has provided to HilltopSecurities written direction to do so.

Furthermore, HilltopSecurities is of the view that the provision of advice by HilltopSecurities to the Issuer with respect to matters involving third-party recommendations outside the scope of the Municipal Advisory Services shall not result in a change in scope of the Municipal Advisory Services. By way of example, if HilltopSecurities 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 HilltopSecurities would not be obligated to undertake any of the services within the scope of Municipal Advisory Services with regard to such issuance unless such scope of Municipal Advisory Services under the Existing Municipal Advisory Agreement is amended by the Issuer and HilltopSecurities.

(c) If and to the extent within the Scope of Services, HilltopSecurities is called upon, from time to time:

(i) 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, HilltopSecurities will be required under MSRB Rule G-42 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 HilltopSecurities about the Issuer and the municipal securities transaction or municipal financial product. In addition, HilltopSecurities will be required 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 HilltopSecurities' 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 will be expected to provide information that it reasonably believes to be accurate and complete upon request to permit HilltopSecurities to fulfill its responsibilities under MSRB Rule G-42.

HilltopSecurities notes that the Issuer is not required to act in accordance with any advice or recommendation provided by HilltopSecurities to the Issuer.

(ii) to assist the Issuer in the preparation of its official statement in connection with the issuance of municipal securities, the Issuer will be expected to provide information that it reasonably believes to be accurate and complete upon request to HilltopSecurities to permit HilltopSecurities to fulfill its responsibility under MSRB Rule G-42.

(iii) 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 the Existing Municipal Advisory Agreement, the Issuer will be expected to provide information that it reasonably believes to be accurate and complete, upon request, to HilltopSecurities to permit HilltopSecurities to fulfill its responsibility under MSRB Rule G-42.

(d) The Scope of Services with respect to HilltopSecurities' engagement as municipal advisor is limited solely as provided in the Existing Municipal Advisory Agreement. HilltopSecurities serves as municipal advisor to the Issuer only with respect to the matters, and with respect to specific aspects of matters, within the Scope of Services, and that HilltopSecurities is not a municipal advisor to the Issuer with respect to matters expressly excluded from, or not within, the Scope of Services. HilltopSecurities' service as municipal advisor for one issuance of municipal securities will not result in HilltopSecurities 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.

2. ***Term and Termination.*** The term of HilltopSecurities' engagement as municipal advisor to the Issuer, and the terms on which the engagement may be terminated, is as provided in the Existing Municipal Advisory Agreement.

3. ***Form and Basis of Compensation.*** The form and basis of compensation for HilltopSecurities' services as municipal advisor to the Issuer are as provided in the Existing Municipal Advisory Agreement.

4. ***Disclosure of Conflicts of Interest and Information Regarding Legal or Disciplinary Events.*** Attached hereto is the Municipal Advisory Disclosure Statement, dated as of the date of this Disclosure, setting forth disclosures by HilltopSecurities 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 HilltopSecurities addresses or intends to manage or mitigate the disclosed conflicts of interest, as well as describing 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 HilltopSecurities with the SEC.

5. ***Disclosure of Material Risks.*** Also attached hereto is the Disclosure of Material Risks (the "Risk Disclosures") setting forth disclosures by HilltopSecurities of the material financial risks associated with the issuance of municipal securities or municipal financial products within the then-current Scope of Services, known to or reasonably foreseeable to HilltopSecurities as of the date below. The Risk Disclosures may be supplemented by HilltopSecurities if the financial characteristics of the financing structure materially change as the Transaction progresses.

HILLTOP SECURITIES INC.

By: _____

Name: Nick Bolvin

Title: Mgr. D.

Date: 10/19/18

MUNICIPAL ADVISOR DISCLOSURE STATEMENT

This disclosure statement ("Conflict Disclosures") is provided by **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 though 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.

VI. **Additional Conflicts Disclosures.**

The Firm has identified the following additional potential or actual material conflicts of interest:

In addition to serving as Municipal Advisor to the Issuer on the transaction, the Firm or an affiliate may be providing other services to the Issuer unrelated to the transaction or outside the scope of the Municipal Advisory Agreement and either will receive additional fees or may receive additional fees for such other services from the Issuer.

- **The Firm provides continuing disclosure services/dissemination agent services under a separate contract.**
- **The Issuer participates in a government pool for which the Firm receives fees for serving as co-administrator.**

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. HilltopSecurities'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 Broker Check 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.

DISCLOSURE OF MATERIAL RISKS

Municipal entities and other obligated parties should carefully consider the risks of all securities transactions prior to execution. A certain level of risk is inherent in all liabilities. The key is to determine whether the level of risk is acceptable. Risks will vary depending upon the structure, terms, and timing of the issue. There are risks that are common to all deal types and some that are specific to each offering. Some risks can be mitigated if properly identified ahead of time. Some risks are out of the control of all parties involved in the transaction and therefore cannot be mitigated nor avoided. Some risks are borne by the lender, resulting in the lender demanding a higher interest rate to offset the acceptance of risk.

As a municipal advisor, it is our fiduciary duty to analyze every aspect of a client's financial situation. A municipal adviser must take into account all assets and all liabilities of the client, current and anticipated, to create the best financial plan to achieve the client's objectives. No single transaction is viewed as separate and apart from prior transactions. The analysis includes a number of other factors, but it must include a thorough understanding of the client's risk tolerance compared to the material risks associated with a specific contemplated transaction.

The following is a general description of the financial characteristics and material risks associated with the Tax and Utility System Surplus Revenue Certificates of Obligation, Series 2019 that are foreseeable to us at this time. As the transaction progresses, material changes to the risk disclosures identified here will be supplemented for your consideration. However, the discussion of risks contained here should not be considered to be a disclosure of all risks or a complete discussion of the risks that are mentioned. Nothing herein constitutes or shall be construed as a legal or tax advice. You should consult your own attorney, accountant, tax advisor or other consultant for legal or tax advice as it relates to this specific transaction.

Fixed Rate Bond Risks

Issuer Default Risk

You may be in default if the funds pledged to secure your bonds are not sufficient to pay debt service on the bonds when due. The consequences of a default may be serious for you and, depending on applicable state law and the terms of the authorizing documents, the holders of the bonds, the trustee and any credit support provider may be able to exercise a range of available remedies against you. For example, if the bonds are secured by a general obligation pledge, you may be ordered by a court to raise taxes. Other budgetary adjustments also may be necessary to enable you to provide sufficient funds to pay debt service on the bonds. If the bonds are revenue bonds, you may be required to take steps to increase the available revenues that are pledged as security for the bonds. A default may negatively impact your credit ratings and may effectively limit your ability to publicly offer bonds or other securities at market interest rate levels. Further, if you are unable to provide sufficient funds to remedy the default, subject to applicable state law and the terms of the authorizing documents, you may find it necessary to consider available alternatives under state law, including (for some issuers) state-mandated receivership or bankruptcy. A default also may occur if you are unable to comply with covenants or other provisions agreed to in connection with the issuance of the bonds. This description is only a brief summary of issues relating to defaults and is not intended as legal advice. You should consult with your bond counsel for further information regarding defaults and remedies.

Redemption Risk

Your ability to redeem the bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions. In the event that interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

Refinancing Risk

If your financing plan contemplates refinancing some or all of the bonds at maturity (for example, if you have term maturities or if you choose a shorter final maturity than might otherwise be permitted under the applicable federal tax rules), market conditions or changes in law may limit or prevent you from refinancing those bonds when required. Further, limitations in the federal tax rules on advance refunding of bonds (an advance refunding of bonds occurs when tax-exempt bonds are refunded more than 90 days prior to the date on which those bonds may be retired) may restrict your ability to refund the bonds to take advantage of lower interest rates.

Reinvestment Risk

You may have proceeds of the bonds to invest prior to the time that you are able to spend those proceeds for the authorized purpose. Depending on market conditions, you may not be able to invest those proceeds at or near the rate of interest that you are paying on the bonds, which is referred to as "negative arbitrage".

Tax Compliance Risk

The issuance of tax-exempt bonds is subject to a number of requirements under the United States Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You also must covenant to take certain additional actions after issuance of the tax-exempt bonds. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on the bonds to become taxable retroactively to the date of issuance of the bonds, which may result in an increase in the interest rate that you pay on the bonds or the mandatory redemption of the bonds. The IRS also may audit you or your bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If the bonds are declared taxable, or if you are subject to audit, the market price of your bonds may be adversely affected. Further, your ability to issue other tax-exempt bonds also may be limited. This description of tax compliance risks is not intended as legal advice and you should consult with your bond counsel regarding tax implications of issuing the bonds.

Disclosure Compliance Risk

By selling securities in the public capital markets, issuers are usually required by contract to enter into a continuing disclosure contract to provide certain financial information contained in the official statement for the life of the notes to the Municipal Securities Rulemaking Board. The failure to comply with this contractual undertaking may impair or limit the ability of an issuer to access the capital markets, to make disclosure on its failure to comply with the contract and may be subject to other actions by regulatory bodies or investors or underwriter's enforcing the contractual obligation. In addition, the issuer and its representatives are responsible for fair and accurate disclosure of its financial condition and all material information is contained within the offering document, and is amended as needed within the underwriting period. Failure to accurately disclose information within the offering document can have significant legal implications to the issuer and its representatives.

Asset/Liability Match Risk

When issuing fixed rate, long-term bonds, there is a risk that the proceeds invested in short-term securities will not have a rate of return high enough to meet the long-term obligations since rates are typically lower on the short end of the yield curve.