AGREEMENT
FOR
FINANCIAL ADVISORY SERVICES
By and Between
THE TEXAS A&M UNIVERSITY SYSTEM
and
FIRSTSOUTHWEST, A DIVISION OF HILLTOP SECURITIES INC.

A. This agreement (the "Agreement") shall apply to any and all evidences of indebtedness or debt obligations that may be authorized and issued or otherwise created or assumed by The Texas A&M University System (the "Issuer" or "The System") (collectively the "Debt Instruments") from time to time during the period in which this Agreement shall be effective.

B. FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest") agrees to provide its professional services and facilities as Financial Advisor and agrees to advise and coordinate on all programs of financing as may be considered and authorized during the period in which this Agreement shall be effective.

C. FirstSouthwest agrees to perform the following duties normally performed by such financial advisors; the duties described in the Financial Advisor Performance Standards set out in Appendix B; and all other duties as, in its judgment, may be necessary or advisable.

1. FirstSouthwest will conduct a survey of the financial resources of the Issuer to determine the extent of its capacity to authorize, issue, and service debt. This survey will include an analysis of the existing debt structure as compared with the existing and projected sources of revenues which may be pledged to secure payment of debt service. In the event revenues of existing or projected facilities operated by the Issuer are to be pledged to repayment of the Debt Instruments then under consideration, the survey will take into account any outstanding indebtedness payable from the revenues thereof, additional revenues to be available from any proposed rate increases and additional revenues, as projected by representatives or other consultants employed by the Issuer, resulting from improvements to be financed by the Debt Instruments under consideration. FirstSouthwest will also take into account future financing needs and operations as projected by the Issuer or others employed by the Issuer.

2. On the basis of the information developed by the survey described above, and other information and experience available to FirstSouthwest, FirstSouthwest will submit to the Issuer its recommendations on any Debt Instruments including such elements as the date of issue, interest payment dates, schedule of principal maturities, options of prior payment, security provisions, and any other additional provisions designed to make the issue attractive to investors. All recommendations will be based upon the professional judgment of FirstSouthwest with the goal of designing Debt Instruments which can be sold

under terms most advantageous to the Issuer and at the lowest interest cost consistent with all other considerations.

3. FirstSouthwest will advise the Issuer of current bond market conditions, forthcoming bond issues, and other general information and economic data which might normally be expected to influence interest rates or bidding conditions so that the date of sale of the Debt Instruments may be set at the most advantageous time by the Issuer after considering the advice.

4. FirstSouthwest understands the Issuer has retained a firm(s) of municipal bond attorneys ("Bond Counsel") whose fees will be paid by the Issuer.

5. FirstSouthwest will recommend the method of sale of the Debt Instruments that, in its opinion, is in the best interest of the Issuer and will proceed, as directed by the Issuer, with one of the following methods:

    a. Advertised Sale: FirstSouthwest will supervise the sale of the Debt Instruments at a public sale in accordance with procedures set out herein. In no event will FirstSouthwest, either acting alone or in conjunction with others, submit a bid for any Debt Instruments issued under this Agreement that the Issuer advertises for competitive bids.

    b. Negotiated Sale: FirstSouthwest will recommend one or more Investment banking firms as managers of an underwriting syndicate for the purpose of negotiating the purchase of the Debt Instruments and in no event will FirstSouthwest participate either directly or indirectly in the underwriting of the Debt Instruments. FirstSouthwest will collaborate with the managing underwriter selected by the Issuer and Counsel to the underwriters in the preparation of the Official Statement or Offering Memorandum. FirstSouthwest will cooperate with the underwriters in obtaining any Blue Sky Memorandum and Legal Investment Survey, preparing Bond Purchase Contract, Underwriters Agreement, and any other related documents. The costs thereof, including the printing of the documents, will be paid by the underwriters, or by the Issuer.

6. When appropriate, FirstSouthwest will advise financial publications of the forthcoming sale of the Debt Instruments and provide them with all pertinent information.

7. FirstSouthwest will coordinate the preparation of the Notice of Sale and Bidding Instructions, Official Statements, Official Bid Form, and such other documents as may be required in an advertised sale. FirstSouthwest will submit to the Issuer all such documents for examination, approval, and certification. After such examination, approval, and certification, FirstSouthwest will provide the Issuer with a supply of all such documents

sufficient to its needs and will distribute electronically or by mail sets of the same to prospective bidders and to banks, life, fire and casualty insurance companies, investment counselors, and other prospective purchasers of the Debt Instruments. FirstSouthwest will also provide sufficient copies of the final Official Statement to the purchaser of the Debt Instruments in accordance with the Notice of Sale and Bidding Instructions.

8. (a) FirstSouthwest will, after approval by the Issuer, arrange for such reports and opinions of recognized independent consultants FirstSouthwest deems necessary and required in the successful marketing of the Debt Instruments.

   (b) FirstSouthwest will, at the request of the Issuer, coordinate on behalf of the Issuer, contracts with one or more independent consultants, where in the opinion of the Issuer such consultants bring unique qualifications to the Issuer and Financial Advisor, for a particular financing or phase of a financing. Such consultants will be engaged under the provisions of section 8(a) of this Agreement by FirstSouthwest. The retention, direction, and continued engagement will be a decision of representatives of the Issuer.

9. Subject to the approval of the Issuer, FirstSouthwest will organize and make arrangements for such investor information meetings as, in its judgment, may be necessary.

10. FirstSouthwest will make recommendations to the Issuer as to the advisability of obtaining a credit rating, or ratings, for the Debt Instruments and, when directed by the Issuer, FirstSouthwest will coordinate the preparation of such information as, in its opinion, is required for submission to the rating agency, or agencies. In those cases where the advisability of personal presentation of information to the rating agency, or agencies, may be indicated, FirstSouthwest will arrange for such personal presentations, including representatives from the Issuer.

11. FirstSouthwest will assist the staff of the Issuer for any advertised sale of Debt Instruments in coordinating the receipt and tabulation and comparison of bids and FirstSouthwest will advise the Issuer as to the best bid. FirstSouthwest will provide the Issuer with its recommendations as to acceptance or rejection of such bid.

12. As soon as a bid for the Debt Instruments is accepted by the Issuer (or a Bond Purchase Agreement has been signed by the Issuer), FirstSouthwest will proceed to coordinate the efforts of all concerned to the end that the Debt Instruments may be delivered and paid for as expeditiously as possible. FirstSouthwest shall assist the Issuer in the preparation or verification of final closing figures incident to the delivery of the Debt Instruments.

13. FirstSouthwest will maintain liaison with Bond Counsel selected by the Issuer in the preparation of all legal documents pertaining to the authorization, sale, and issuance of the Debt Instruments.

14. If requested, FirstSouthwest will handle the bidding process and counsel with the Issuer in the selection of a Trustee and Paying Agent/Registrar for the Debt Instruments. FirstSouthwest will also assist in the preparation of the agreements pertinent to these services and the fees incident thereto.

15. In the event formal verification by the independent auditor of any calculations incident to the Debt Instruments is required, FirstSouthwest will make arrangements for such services, after approval by the Issuer.

16. FirstSouthwest agrees to coordinate all work incident to printing and execution of the Debt Instruments.

17. Before the closing of the sale and delivery of the Debt Instruments, FirstSouthwest will deliver to the Issuer a schedule of annual debt service requirements on the Debt Instruments to include individual schedules for each project included in the issuance. In coordination with Bond Counsel, FirstSouthwest will assure that the Paying Agent/Registrar has been provided with a copy of the authorizing order of resolution.

18. FirstSouthwest will attend any and all meetings of the governing body of the Issuer, its staff, representatives, or committees as requested at all times when FirstSouthwest may be of assistance or service and the subject of financing is to be discussed.

19. FirstSouthwest will advise the Issuer and its staff of changes, proposed or enacted, in Federal and State laws and regulations which would, in the opinion of FirstSouthwest, affect the municipal bond market.

20. FirstSouthwest will work with the Issuer, its staff, and any consultants employed by the Issuer in developing financial feasibility studies and analyzing alternative financial plans.

21. FirstSouthwest will assist the Issuer in preparing and presenting information required by the State Bond Review Board.

In addition to the services set out above, FirstSouthwest agree to provide the following services when so requested.

1. FirstSouthwest will, when so directed, purchase those investments authorized to be purchased and, except for investment of the proceeds of Debt Instruments for which no additional fee will be charged, FirstSouthwest will charge a normal and customary commission for each such transaction.

2. FirstSouthwest will provide its advice and assistance with regard to exercising any call and/or refunding of any outstanding Debt Instruments.

3. FirstSouthwest will provide its advice and assistance in the development of, and financing for, any capital improvement programs of the Issuer.

4. FirstSouthwest will provide its advice and assistance in the development of the long-range financing plan of the Issuer.

5. Arbitrage rebate calculation services will be provided to the Issuer by First Southwest Asset Management, LLC ("FSAM"), a company affiliated with FirstSouthwest, pursuant to the terms of the standard arbitrage rebate services contract incorporated herein and attached hereto as Appendix C. FSAM's fee for arbitrage rebate services is based on a fixed annual fee of $1,400 per issuance of Debt Instruments.

6. FirstSouthwest will provide any other financing planning services or analysis as may be requested by the Issuer.

D. The fee due to FirstSouthwest in accordance with Appendix A attached hereto, any other fees as may be mutually agreed and all expenses, for which FirstSouthwest is entitled to reimbursement, shall become due and payable concurrently with the delivery of the Debt Instruments to the purchaser.

E. This Agreement shall become effective at the date of acceptance by the Issuer set out herein below and remain in effect thereafter for a period of five years from the date of acceptance, provided, however, this Agreement may be terminated without cause by the Issuer or FirstSouthwest upon thirty (30) days written notice. In the event of such termination, it is understood and agreed that only the amount due FirstSouthwest for services provided and expenses incurred to the date of termination will be due and payable. No penalty will be assessed for termination of the Agreement. This Agreement also includes an option to extend the contract for one additional five-year period.

F. Attached hereto as Appendix D, FirstSouthwest is providing its Disclosure Statement of Municipal Advisor (the "Disclosure Statement"), current as of the date of this agreement, setting forth disclosures by FirstSouthwest of material conflicts of interest, if any, and of any legal or disciplinary events required to be disclosed pursuant to MSRB Rule G-42. The Disclosure Statement also describes 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 Securities and Exchange Commission.

G. This agreement is submitted in duplicate originals. When accepted by the Issuer, it, together with Appendices A, B, C, and D attached hereto, will constitute the entire Agreement between the Issuer and FirstSouthwest for the purposes and considerations herein specified. Acceptance will be indicated by the signature of authorized officials of the Issuer together with the date of acceptance on both copies and the return of one executed copy to FirstSouthwest.

FIRSTSOUTHWEST, A DIVISION OF HILLTOP SECURITIES INC.

BY: _____
Hill A. Feinberg
Chairman and Chief Executive Officer

THE TEXAS A&M UNIVERSITY SYSTEM

BY: _____ 8/29/16
Billy C. Hamilton
Executive Vice Chancellor and
Chief Financial Officer

Appendix A

FEE SCHEDULE AND REIMBURSABLE EXPENSE ITEMS FOR FINANCIAL ADVISORY SERVICES

In consideration for the services rendered by FirstSouthwest, it is understood and agreed that the fee for each issue of Debt Instruments will be as follows:

$.50 per $1,000 of principal amount

Minimum fee of $25,000

If during any fiscal year period ending on 8/31, the Issuer does not issue debt that rendered a minimum of $25,000 in fees earned by FirstSouthwest, a $25,000 annual retainer will be charged in order to cover the cost of ongoing regulatory requirements. Payment of the annual retainer is due and payable on 8/31 of each year or as negotiated with the Issuer's CIO and Treasurer.

Reimbursable expense items to be paid by the Issuer include the following:

Preparation, printing and distribution of Official Statements and accompanying documents (both Advertised Sale and Negotiated Sale)

Reports of independent consultants

Information meetings and costs of publication of sale notices and advertisements

Rating Fees

Travel

Verification of calculations

Printing of Debt Instruments

Delivery of Debt Instruments

Cost of litigation, mandamus action, test case or other similar legal actions

FirstSouthwest will not incur any significant expense for which the Issuer would be liable without first obtaining approval from the representative of the Issuer.

Appendix B

FINANCIAL ADVISOR PERFORMANCE STANDARDS

The following list of performance standards is provided solely for the purpose of evaluating the services of the Financial Advisor and does not in any way diminish the right of the Issuer to terminate the contract with or without cause or the obligation of the Issuer to pay those fees and reimbursable expenses as set forth in Appendix A.

The standards of performance of the Financial Advisor are to:

1. Demonstrate to the System that the credit ratings of nationally recognized rating agencies are the highest possible, given the flexibility the System desires, and assist the System in improving and maintaining the credit ratings from nationally recognized rating agencies on the various debt issues of the System.

2. Complete the survey of financial resources of the System as proposed in Paragraph C.1 of the Agreement no later than each August 1.

3. Review the long-range financing plan of the System and make recommendations on financing vs. utilization of cash reserves.

4. Review new financing methods as these are brought into the market and provide summary information on the pros and cons of the System using such techniques.

5. Review proposals from investment banking firms related to System financing and make recommendations on such proposals. Make specific recommendations on the size and composition of the management group on each negotiated issue and on the advisability of utilizing a negotiated sale. Develop criteria for the System to use in evaluating the performance of underwriting.

6. Demonstrate to the satisfaction of the Board on an annual basis that financial advisor input has provided sufficient savings to the System to more than justify the fees and expenses of the financial advisor.

7. Make available professionals familiar with the System to assist its staff members when required.

Appendix C

AGREEMENT FOR
ARBITRAGE REBATE COMPLIANCE SERVICES
BETWEEN
THE TEXAS A&M UNIVERSITY SYSTEM
(Hereinafter Referred to as the "Issuer")
AND
FIRST SOUTHWEST ASSET MANAGEMENT, LLC
(Hereinafter Referred to as "FSAM")

It is understood and agreed that the Issuer, in connection with the sale and delivery of certain bonds, notes, certificates, or other tax-exempt obligations (the "***Obligations***"), will have the need to determine to what extent, if any, it will be required to rebate certain investment earnings (the amount of such rebate being referred to herein as the "***Arbitrage Amount***") from the proceeds of the Obligations to the United States of America pursuant to the provisions of Section 148(f)(2) of the Internal Revenue Code of 1986, as amended (the "***Code***"). For purposes of this Agreement, the term "Arbitrage Amount" includes payments made under the election to pay penalty in lieu of rebate for a qualified construction issue under Section 148(f)(4) of the Code.

We are pleased to submit the following proposal for consideration; and if the proposal is accepted by the Issuer, it shall become the agreement (the "***Agreement***") between the Issuer and FSAM effective at the date of its acceptance as provided for herein below.

1. This Agreement shall apply to all issues of tax-exempt Obligations delivered subsequent to the effective date of the rebate requirements under the Code, except for (i) issues which qualify for exceptions to the rebate requirements in accordance with Section 148 of the Code and related Treasury regulations, or (ii) issues excluded by the Issuer in writing in accordance with the further provisions hereof, (iii) new issues effected in a fashion whereby FSAM is unaware of the existence of such issue, (iv) issues in which, for reasons outside the control of FSAM, FSAM is unable to procure the necessary information required to perform such services.

Covenants of First Southwest Asset Management

2. We agree to provide our professional services in determining the Arbitrage Amount with regard to the Obligations. The Issuer will assume and pay the fee of FSAM as such fee is set out in Exhibit A attached hereto. FSAM shall not be responsible for any extraordinary expenses incurred on behalf of Issuer in connection with providing such professional services, including any costs incident to litigation, mandamus action, test case or other similar legal actions.

3. We agree to perform the following duties in connection with providing arbitrage rebate compliance services:

   a. To cooperate fully with the Issuer in reviewing the schedule of investments made by the Issuer with (i) proceeds from the Obligations, and (ii) proceeds of other funds of the Issuer which, under Treasury Regulations Section 1.148, or any successor regulations thereto, are subject to the rebate requirements of the Code;

   b. To perform, or cause to be performed, consistent with the Code and the regulations promulgated thereunder, calculations to determine the Arbitrage Amount under Section 148(f)(2) of the Code; and

   c. To provide a report to the Issuer specifying the Arbitrage Amount based upon the investment schedule, the calculations of bond yield and investment yield, and other information deemed relevant by FSAM. In undertaking to provide the services set forth in paragraph 2 and this

paragraph 3, FSAM does not assume any responsibility for any record retention requirements which the Issuer may have under the Code or other applicable laws, it being understood that the Issuer shall remain responsible for compliance with any such record retention requirements.

Covenants of the Issuer

4. In connection with the performance of the aforesaid duties, the Issuer agrees to the following:

   a. The fees due to FSAM in providing arbitrage rebate compliance services shall be calculated in accordance with Exhibit A attached hereto. The fees will be payable upon delivery of the report prepared by FSAM for each issue of Obligations during the term of this Agreement.

   b. The Issuer will provide FSAM all information regarding the issuance of the Obligations and the investment of the proceeds therefrom, and any other information necessary in connection with calculating the Arbitrage Amount. FSAM will rely on the information supplied by the Issuer without inquiry, it being understood that FSAM will not conduct an audit or take any other steps to verify the accuracy or authenticity of the information provided by the Issuer.

   c. The Issuer will notify FSAM in writing of the retirement, prior to the scheduled maturity, of any Obligations included under the scope of this Agreement within 30 days of such retirement. This notification is required to provide sufficient time to comply with Treasury Regulations Section 1.148-3(g) which requires final payment of any Arbitrage Amount within 60 days of the final retirement of the Obligations. In the event the Issuer fails to notify FSAM in a timely manner as provided hereinabove, FSAM shall have no further obligation or responsibility to provide any services under this Agreement with respect to such retired Obligations.

5. In providing the services set forth in this Agreement, it is agreed that FSAM shall not incur any liability for any error of judgment made in good faith by a responsible officer or officers thereof and, except to the limited extent set forth in this paragraph, shall not incur any liability for any other errors or omissions, unless it shall be proved that such error or omission was a result of the gross negligence or willful misconduct of said officer or officers. In the event a payment is assessed by the Internal Revenue Service due to an error by FSAM, the Issuer will be responsible for paying the correct Arbitrage Amount and FSAM's liability shall not exceed the amount of any penalty or interest imposed on the Arbitrage Amount as a result of such error.

Obligations Issued Subsequent to Initial Contract

6. The services contracted for under this Agreement will automatically extend to any additional Obligations (including financing lease obligations) issued during the term of this Agreement, if such Obligations are subject to the rebate requirements under Section 148(f)(2) of the Code. In connection with the issuance of additional Obligations, the Issuer agrees to the following:

   a. The Issuer will notify or cause the notification, in writing, to FSAM of any tax-exempt financing (including financing lease obligations) issued by the Issuer during any calendar year of this Agreement, and will provide FSAM with such information regarding such Obligations as FSAM may request in connection with its performance of the arbitrage rebate services contracted for hereunder. If such notice is not provided to FSAM with regard to a particular issue, FSAM shall have no obligation to provide any services hereunder with respect to such issue.

   b. At the option of the Issuer, any additional Obligations to be issued subsequent to the execution of this Agreement may be excluded from the services provided for herein. In order to exclude an issue, the Issuer must notify FSAM in writing of their intent to exclude any specific Obligations from the scope of this Agreement, which exclusion shall be permanent for the full life of the Obligations; and after receipt of such notice, FSAM shall have no obligation to provide any services under this Agreement with respect to such excluded Obligations.

Effective Date of Agreement

7. This Agreement shall become effective as of the execution date and run concurrently with the term of the Agreement for Financial Advisory Services (the "FA Agreement") by and between the Issuer and FirstSouthwest, pursuant to Section E of the FA Agreement. This Agreement may be terminated with or without cause by the Issuer or FSAM upon thirty (30) days prior written notice to the other party. In the event of such termination, it is understood and agreed that only the amounts due to FSAM for services provided and extraordinary expenses incurred to and including the date of termination will be due and payable. No penalty will be assessed for termination of this Agreement. In the event this Agreement is terminated prior to the completion of its stated term, all records provided to FSAM with respect to the investment of monies by the Issuer shall be returned to the Issuer as soon as practicable following written request by Issuer. In addition, the parties hereto agree that, upon termination of this Agreement, FSAM shall have no continuing obligation to the Issuer regarding any arbitrage rebate related services contemplated herein, regardless of whether such services have previously been undertaken, completed or performed.

EXHIBIT A – FEES

The Obligations to be covered initially under this contract include all issues of tax-exempt obligations delivered subsequent to the effective dates of the rebate requirements, under the Code, except as set forth in Section I of the Agreement.

The fee for any Obligations under this contract shall only be payable if a computation is required under Section 148(f)(2) of the Code. In the event that any of the Obligations fall within an exclusion to the computation requirement as defined by Section 148 of the Code or related regulations and no calculations were required by FSAM to make that determination, no fee will be charged for such issue. For example, certain obligations are excluded from the rebate computation requirement if the proceeds are spent within specific time periods. In the event a particular issue of Obligations fulfills the exclusion requirements of the Code or related regulations, the specified fee will be waived by FSAM if no calculations were required to make the determination.

FSAM's fee for arbitrage rebate services is based upon a fixed annual fee per issue. The annual fee is charged based upon the number of years that proceeds exist subject to rebate from the delivery date of the issue to the computation date.

FSAM's fees are payable upon delivery of the report. The first report will be made following one year from the date of delivery of the Obligations and on each computation date thereafter during the term of the Agreement. The fees for computations of the Arbitrage Amount which encompass more, or less, than one Computation Year shall be prorated to reflect the longer, or shorter, period of work performed during that period.

The fee for each of the Obligations included in this contract shall be based on the table below.

Additionally, due to significant time saving efficiencies realized when investment information is submitted in an electronic format, FSAM passes the savings to its clients by offering a 10% reduction in its fees if information is provided in a spreadsheet or electronic text file format.

Description	Annual Fee
ANNUAL FEE	**$1,400**
COMPREHENSIVE ARBITRAGE COMPLIANCE SERVICES INCLUDE:	
• Commingled Funds Analysis & Calculations • Spending Exception Analysis & Calculations • Yield Restriction Analysis & Calculations (for yield restricted Project Funds, Reserve Funds, Escrow Funds, etc.) • Parity Reserve Fund Allocations • Transferred Proceeds Calculations • Universal Cap Calculations • Debt Service Fund Calculations (including earnings test when required) • Preparation of all Required IRS Paperwork for Making a Rebate Payment / Yield Reduction Payment • Retention of Records Provided for Arbitrage Computations • IRS Audit Assistance • Delivery of Rebate Calculations Each Year That Meets the Timing Requirements of the Audit Schedule • On-Site Meetings, as Appropriate, to Discuss Calculation Results / Subsequent Planning Items	**INCLUDED**
OTHER SERVICES AVAILABLE:	
IRS Refund Request – Update calculation, prepare refund request package, and assist issuer as necessary in responding to subsequent IRS Information Requests	**$750**
Commercial Paper Calculations – Per allocated issue	**$1,600**

EXPLANATION OF TERMS:

a. **Computation Year:** A "Computation Year" represents a one year period from the delivery date of the issue to the date that is one calendar year after the delivery date, and each subsequent one-year period thereafter. Therefore, if a calculation is required that covers more than one "computation year," the annual fee is multiplied by the number of computation years contained in the calculation being performed. If a calculation includes a portion of a computation year, i.e., if the calculation includes 1 ½ computation years, then the base fee will be multiplied by 1.5.

b. **Electronic Data Submission:** The data should be provided electronically in MS Excel or ASCII text file (comma delimited text preferred) with the date, description, dollar amount, and an activity code (if not in debit and credit format) on the same line in the file.

c. **Variable/Floating Rate Bond Issues:** Special services are also required to perform the arbitrage rebate calculations for variable rate bonds. A bond is a variable rate bond if the interest rate paid on the bond is dependent upon an index which is subject to changes subsequent to the issuance of the bonds. The computational requirements of a variable rate issue are more complex than those of a fixed rate issue and, accordingly, require significantly more time to calculate. The additional complexity is primarily related to the computation of the bond yield, which must be calculated on a "bond year" basis. Additionally, the regulations provide certain flexibility in computing the bond yield and determining the arbitrage amount over the first IRS reporting period; consequently, increased calculations are required to determine which bond yield calculation produces the lowest arbitrage amount.

d. **Commingled Fund Allocations:** By definition, a commingled fund is one that contains either proceeds of more than one bond issue or proceeds of a bond issue and non-bond proceeds (i.e., revenues) of $25,000 or more. The arbitrage regulations, while permitting the commingling of funds, require that the proceeds of the bond issue(s) be "carved out" for purposes of determining the arbitrage amount. Additionally, interest earnings must be allocated to the portion of the commingled fund that represents proceeds of the issue(s) in question. Permitted "safe-harbor" methods (that is, methods that are outlined in the arbitrage regulations and, accordingly, cannot be questioned by the IRS under audit), exist for allocating expenditures and interest earnings to issues in a commingled fund. FSAM uses one of the applicable safe-harbor methods when doing these calculations.

e. **Debt Service Reserve Funds:** The authorizing documents for many revenue bond issues require that a separate fund be established (the "Reserve Fund") into which either bond proceeds or revenues are deposited in an amount equal to some designated level, such as average annual debt service on all parity bonds. This Reserve Fund is established for the benefit of the bondholders as additional security for payment on the debt. In most cases, the balance in the Reserve Fund remains stable throughout the life of the bond issue. Reserve Funds, whether funded with bond proceeds or revenues, must be included in all rebate calculations.

f. **Debt Service Fund Calculations:** Issuers are required under the regulations to analyze the invested balances in their debt service funds annually to determine whether the fund depletes as required during the year and is, therefore, "bona fide" (i.e., potentially exempt from rebate in that year). It is not uncommon for surplus balances to develop in the debt service fund that services an issuer's tax supported debt, particularly due to timing differences of when the funds were due to be collected versus when the funds were actually collected. FSAM performs this formal analysis of the debt service fund and, should it be determined that a surplus balance exists in the fund during a given year, allocates the surplus balance among the various issues serviced by the fund in a manner that is acceptable under IRS review.

g. **Earnings Test for Debt Service Funds:** Certain types of bond issues require an additional level of analysis for the debt service fund, even if the fund depletes as required under the regulations and is "bona fide." For short-term, fixed rate issues, private activity issues, and variable rate issues, the regulations require that an "earnings test" be performed on a bona fide debt service fund to determine if the interest earnings reached $100,000 during the year. In cases where the earnings reach or exceed the $100,000 threshold, the entire fund (not just the surplus or residual portion) is subject to rebate.

h. **Transferred Proceeds Calculations:** When a bond issue is refinanced (refunded) by another issue, special services relating to "transferred proceeds" calculations may need to be performed. Under the regulations, when proceeds of a refunding issue are used to retire principal of a prior issue, a pro-rata portion of the unspent proceeds of the prior issue becomes subject to rebate and/or yield restriction as transferred proceeds of the refunding issue. The refunding issue essentially "adopts" the unspent proceeds of the prior issue for purposes of the arbitrage calculations. These calculations are required under the regulations to ensure that issuers continue to exercise due diligence to complete the project(s) for which the prior bonds were issued.

i. **Universal Cap:** Current regulations provide an overall limitation on the amount of gross proceeds allocable to an issue. Simply stated, the value of investments allocated to an issue cannot exceed the value of all outstanding bonds of the issue. For example, this situation can occur if an issuer encounters significant construction delays or enters into litigation with a contractor. It may take months or even years to resolve the problems and begin or resume spending the bond proceeds; however, during this time the debt service payments are still being paid, including any scheduled principal payments. Thus, it's possible for the value of the investments purchased with bond proceeds to exceed the value of the bonds outstanding. In such cases, a "de-allocation" of proceeds may be required to comply with the limitation rules outlined in the regulations.

j. **Yield Restriction Analysis/Yield Reduction Computations:** The IRS strongly encourages issuers to spend the proceeds of each bond issue as quickly as possible to achieve the governmental purpose for which the bonds were issued. Certain types of proceeds can qualify for a "temporary period," during which time the proceeds may be invested at a yield higher than the yield on the bonds without jeopardizing the tax-exempt status of the issue. The most common temporary period is the three-year temporary period for capital project proceeds. After the end of the temporary period, the proceeds must be yield restricted or the issuer must remit the appropriate yield reduction payment when due. FSAM performs a comprehensive yield restriction analysis when appropriate for all issues having proceeds remaining at the end of the applicable temporary period and also calculates the amount of the
yield reduction payment due to the IRS.

Appendix D

DISCLOSURE STATEMENT OF MUNICIPAL ADVISOR

This Disclosure Statement 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"). This Disclosure Statement provides information regarding conflicts of interest and legal or disciplinary events of The Firm that are required to be disclosed to 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.

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 and a penalty of $50,000.

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 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.