REQUEST FOR AGENDA PLACEMENT FORM

Submission Deadline - Tuesday, 12:00 PM before Court Dates

SUBMITTED BY: Steve Watson **TODAY'S DATE:** 9/30/2021

DEPARTMENT: Auditor

SIGNATURE OF DEPARTMENT HEAD: [signature]

REQUESTED AGENDA DATE: 10/8/2021

SPECIFIC AGENDA WORDING:

Consideration of Bidding Agent Engagement Letter with HilltopSecurities for Documentation, Bid Solicitation, Execution of Transaction, and Closing of Transaction for the refunding of GO bonds and authorize County Judge to sign.

COMMISSIONERS COURT

OCT 08 2021

Approved

PERSON(S) TO PRESENT ITEM:

Steve Watson

SUPPORT MATERIAL: (Must enclose supporting documentation)

TIME: 5
(Anticipated number of minutes needed to discuss item)

ACTION ITEM: ✔
WORKSHOP:
CONSENT:
EXECUTIVE:

STAFF NOTICE:

COUNTY ATTORNEY: ✔
AUDITOR:
PERSONNEL:
BUDGET COORDINATOR:

IT DEPARTMENT:
PURCHASING DEPARTMENT:
PUBLIC WORKS:
OTHER:

This Section to be completed by County Judge's Office

ASSIGNED AGENDA DATE: _____

REQUEST RECEIVED BY COUNTY JUDGE'S OFFICE:

COURT MEMBER APPROVAL: **DATE:**

HilltopSecurities.
Investment Banking Solutions

717 N. Harwood Street
Suite 3400
Dallas, TX 75201

214.953.4020 Direct
214.954.4339 Fax

Richard Konkel
Senior Managing Director
Richard.Konkel@hilltopsecurities.com

September 29, 2021

VIA E-MAIL

Honorable Roger Harmon
County Judge
Johnson County, Texas
Johnson County Courthouse
2 N. Main St
Cleburne, Texas 76033

Dear Judge Harmon:

We are pleased to submit this proposal and set forth terms for the engagement of Hilltop Securities Inc. ("Hilltop") by Johnson County, Texas (the "County") as its consultant for the term of this letter agreement (the "Agreement") with respect to the purchase of escrow open market securities (the "Transaction") related to the County's General Obligation Refunding Bonds, Taxable Series 2021.

Description of Services

Upon the request of an authorized representative of the County, Hilltop agrees to perform the consulting services stated in the following provisions of this Agreement and, for having rendered such services, the County agrees to pay to Hilltop the compensation as provided in Attachment A. Hilltop will provide:

1. Documentation: Assist the County in preparing specifications and bid solicitation documentation for the Transaction.

2. Bid Solicitation: Distribute bid solicitation documents to investment providers, manage bid solicitation process, tabulate bid results, and report bid results to the County.

3. Execution of Transaction: Assist the County in the execution of the Transaction with the selected investment provider(s).

4. Closing of Transaction: Assist the County closing of the Transaction, including, if applicable, the successful delivery of securities.

Compensation and Expense Reimbursement

The fees and reimbursable expenses due to Hilltop for the services set forth and described herein shall be in accordance with Attachment A, attached hereto. Payment for services shall be due and payable upon receipt of an invoice therefor.

Term and Termination

This Agreement shall become effective as of the date executed by the County as set forth on the signature page hereof and shall remain in effect until terminated by either party, with or without cause, upon at least thirty (30) days prior written notice, stating in such notice the effective date of the termination. In the event of such termination by Hilltop, it is understood and agreed that only the amounts due Hilltop for fees and expenses incurred to the date of termination will be due and payable. In the event of such termination by the County, it is understood and agreed that Hilltop will retain the fees set forth in Attachment A and those amounts due Hilltop for expenses incurred to the date of termination, which shall be payable as of the date of such termination.

Miscellaneous

1. Limitations on Liability. The County acknowledges and agrees that in any event, regardless of the cause of action, Hilltop's total liability (including loss and expense) to the County in the aggregate shall not exceed the gross amount of fees received by Hilltop pursuant to this Agreement. The limitations on liability set forth in this Agreement are fundamental elements of the basis of the bargain between Hilltop and the County, and the pricing for the services set forth above reflect such limitations.

2. Required Disclosures. Attached hereto as Attachment B, Hilltop is providing its Municipal Advisor Disclosure Statement, which sets forth disclosures by Hilltop 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 Hilltop 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 HilltopSecurities with the Securities and Exchange Commission.

   Included as Attachment C, is a general description of the financial characteristics and material risks associated with escrow open market securities that are foreseeable to us at this time.

3. Entire Agreement. This instrument contains the entire agreement between the parties relating to the rights herein granted and obligations herein assumed. Any oral or written representations or modifications concerning this Agreement shall be of no force or effect except for a subsequent modification in writing signed by all parties hereto.

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

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

If the foregoing correctly sets forth the terms of our Agreement, please sign the enclosed copy of this letter in the space provided and return it to us.

HILLTOP SECURITIES INC.

DocuSigned by:
By: Richard Konkel
C93D2DA38FE84EB...
Name: Richard Konkel
Title: Senior Managing Director

Agreed to this 8th day of October, 2021

JOHNSON COUNTY, TEXAS

By:
Name: Roger Harmon
Title: County Judge

ATTACHMENT A

FORM AND BASIS OF COMPENSATION

The fees due to Hilltop for the services described in this Agreement with respect to the Transaction during the term of this Agreement shall be as set forth below, or as otherwise negotiated in advance and agreed to by the parties in writing:

1. For services relating to execution of a new Transaction specified in the Agreement and referred to therein, Hilltop shall receive an advisory fee ("Advisory Fee") not to exceed the lesser of (i) $42,000, or (ii) 0.2 percent of the initial amount invested, with a minimum Advisory Fee of $4,000, per compliance with U.S. Treasury regulations § 1.148-5(e)(2)(iii)(B)(1) regarding fees charged for serving as bidding agent for yield restricted transactions.

   Please note that the above fees are to be paid by the winning provider of the securities and not by the County. The Advisory Fee is contingent upon and shall be payable to Hilltop at the time of the completion of each Transaction.

2. Any fees to Hilltop for other services requested by the County that are related to the Transaction and not contemplated in the Agreement shall be calculated on an hourly basis in accordance with the fee schedule below.

Position	Rate per Hour
Director and above:	$450.00
Vice President:	$350.00
Assistant Vice President:	$250.00
Analyst:	$175.00
Administrative Staff:	$ 75.00

Due to the nature of advisory services and our business, Hilltop bills in quarter-hour increments. In addition, Hilltop shall be entitled to reimbursement for its expenses associated with the provision of such services and will be due and payable within 30 days of receipt of an invoice therefor.

ATTACHMENT B

MUNICIPAL ADVISOR DISCLOSURE STATEMENT

This disclosure statement ("Conflict Disclosures") is provided by **Hilltop Securities Inc.** ("the Firm") to you (the "Client") in connection with the municipal advisory agreement related to bidding agent services, dated September 29, 2021 ("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. Hilltop Securities Asset Management (HSAM), 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 Hilltop Securities Asset Management (HSAM), 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 local government investment pools ("LGIPs"). These programs offer governmental entities investment options for their cash management programs based on the entity's 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. This potential conflict is mitigated by the fact that the Firm and affiliates are subject to their own comprehensive regulatory regimes.

II. **PlainsCapital Bank 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. Affiliate, PlainsCapital Bank, provides banking services to municipalities including loans and custody. 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. This potential conflict is mitigated by the fact that the Firm and affiliates are subject to their own comprehensive regulatory regimes.

III. **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.

IV. **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.

V. **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.

VI. **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.

VII. **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 Client on the transaction, the Firm or an affiliate may be providing other services to the Client 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 Client.

- The Firm provides continuing disclosure services/dissemination agent services either under a separate contract or under the municipal advisory fee structure.
- The Client participates in a government pool for which the Firm receives fees for serving as co-administrator.
- The Firm's affiliate, Hilltop Securities Asset Management, LLC, provides arbitrage rebate compliance services to the Client either under a separate contract or under the municipal advisory fee structure.

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' engagement was limited to advising on the structure, terms, and rating of the underlying bonds. Hilltop settled with no admission of liability or wrongdoing.

- On April 30, 2019, the Firm entered into a Settlement Agreement with Berkeley County School District of Berkeley County, South Carolina. The case, filed in March of 2019, arose in connection with certain bond transactions occurring from 2012 to 2014, for which former employees of Southwest Securities, Inc., a predecessor company, provided financial advisory services. The Firm agreed to disgorge all financial advisory fees related to such bond transactions, which amounted to $822,966.47, to settle any and all claims, including litigation thereto. Under the Settlement Agreement, the Firm was dismissed from the lawsuit with prejudice, no additional penalty, and with no admission of liability or wrongdoing.

- From July 2011 to October 2015, Hilltop failed to submit required MSRB Rule G-32 information to EMMA in connection with 122 primary offerings of municipal securities for which the Firm served as placement agent. During the period January 2012 to September 2015, the Firm failed to provide MSRB Rule G-17 letters to issuers in connection with 119 of the 122 offerings referenced above. From October 2014 to September 2015, the Firm failed to report on Form MSRB G-37 that it had engaged in municipal securities business as placement agent for 45 of these 122 offerings. This failure was a result of a misunderstanding by one branch office of Southwest Securities. Hilltop discovered these failures during the merger of FirstSouthwest and Southwest Securities and voluntarily reported them to FINRA. The Firm paid a fine of $100,000 for these self-reported violations.

- In connection with a settlement on July 9, 2021, the U.S. Securities and Exchange Commission found that, between January 2016 and April 2018, the Firm bought municipal bonds for its own account from another broker-dealer and that, on occasion during that time period, the other broker-dealer mischaracterized the Firm's orders when placing them with the lead underwriter. The SEC found that, among other things, the Firm lacked policies and procedures with respect to how stock orders were submitted for new issues bonds to third parties, including the broker-dealer that mischaracterized the Firm's orders. The SEC found violations of MSRB Rules G-27, G-17, and SEC rule 15B(c)(1) and a failure to reasonably supervise within the

meaning of Section 15(b)(4)(E) of the Securities Exchange Act of 1934. The Firm was censured and ordered to pay disgorgement of $206,606, prejudgment interest of $48,587 and a penalty of $85,000.

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 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.

ATTACHMENT C

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 advisor 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 escrow open market securities 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.

Escrow Purchase Risk

Reinvestment Risk
The cash you use to fund the escrow will be used to purchase SLGS or other securities to be held in escrow until the securities mature. Depending on market conditions, you may not be able to invest the cash at or near the rate of interest that you are paying on the bonds, which is referred to as "negative arbitrage". One way to mitigate this risk is to obtain a report from an independent evaluator to determine whether the cash deposit will be sufficient to retire the bonds under all circumstances, regardless of the interest rates at the time of reinvestment.

Liquidity Risk
Liquidity risk is the risk that the cash you will use to fund the escrow will reduce cash on hand and will not be available to you for operating liquidity, reserves, investment or any other purpose. You may have to liquidate investments to raise the cash needed for this transaction or to meet operating cash flow requirements.

Securities Issuer Default and Downgrade Risk
The issuer of the securities held in the defeasance escrow could default on its obligation to pay scheduled debt service payments 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 trustee and any credit support provider may be able to exercise a range of available remedies on your behalf. This risk may be lowered by purchasing AAA rated investments.

In the event that of an issuer downgrade below a AAA credit rating, the securities in escrow may no longer be eligible to be held in escrow and would need to be replaced. In the case that the securities need to be

replaced, you might incur a financial loss through selling the downgraded securities and when you buy a replacement security it might be at a higher price and lower yield than your previously held securities. You might also not be able to find a replacement security that satisfies the covenants of the escrow. Even if you do not need to replace the downgraded securities, your securities would be at a higher risk of default than AAA rated securities.

This description is only a brief summary of issues relating to defaults and downgrades 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.

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.

S&P Global
Ratings

Michael Abad
michael.abad@spglobal.com
Tel: + 212 438 1973
55 Water Street
New York, NY 10041-0003
Team Email:
USPFEngagementLtrs@spglobal.com
Issue No.: 1688726
Obligor ID : 15520

September 29, 2021

Johnson County
Johnson County Courthouse
2 North Main Street, Room 312
Cleburne, TX 76033
Attention: Mr. Steve Watson, County Auditor

Re: ***US$16,200,000 Johnson County, Texas, General Obligation Refunding Bonds, Taxable Series 2021, dated: November 15, 2021, due: February 15, 2035, Public***

Dear Mr. Watson:

Thank you for your request for a S&P Global Ratings credit rating as described above. We agree to provide the credit rating in accordance with this letter and the rating letter, and you agree to perform your obligations set out in sections 1, 2 and 3 of this letter. Unless otherwise indicated, the term "issuer" in this letter means both the issuer and the obligor if the obligor is not the issuer.

We will make every effort to provide you with the high level of analytical performance and knowledgeable service for which we have become known worldwide. You will be contacted directly by your assigned analytic team.

1. Fees and Termination.

In consideration of our analytic review and issuance of the credit rating, you agree to pay us the following fees:

Rating Fee. You agree to pay us a credit rating fee of **$20,500** plus all applicable value-added, sale, use and similar taxes. S&P Global Ratings reserves the right to adjust the credit rating fee if the proposed par amount changes. Payment of the credit rating fee is not conditioned on S&P Global Ratings issuance of any particular credit rating.

Other Fees and Expenses. You will reimburse S&P Global Ratings for reasonable travel and legal expenses. Should the credit rating not be issued, you agree to compensate us based on our time, effort, and charges incurred through the date upon which it is determined that the credit rating will not be issued.

Termination of Engagement. This engagement may be terminated by either party at any time upon written notice to the other party.

2. Private and Confidential Credit Ratings.

Unless you request otherwise, the credit rating provided under this Agreement will be a public credit rating.

If you request a confidential credit rating under this Agreement, you agree that the credit rating will be exclusively for your internal use, and not to disclose it to any third party other than your professional advisors who are bound by appropriate confidentiality obligations or as otherwise required by law or regulation or for regulatory purposes.

If you request a private credit rating under this Agreement, S&P Global Ratings will make such credit rating and related report available by email or through a password-protected website or third-party private document exchange to a limited number of third parties you identify, and you agree not to disclose such credit rating to any third party other than (A) to your professional advisors who are bound by appropriate confidentiality obligations, (B) as required by law or regulation or for regulatory purposes, or (C) for the purpose of preparing required periodic reports relating to the assets owned by a special purpose vehicle that has purchased the rated obligation, provided that the preparer(s) of the reports must agree to keep the information confidential and the private credit rating shall not be referred to or listed in the reports under the heading "credit rating," "rating" or "S&P rating", and shall be identified only as an "S&P Global Ratings implied rating" or similar term. If a third-

party private document exchange is used, you agree to pay a one time administrative fee of $10,000 in addition to the fees outlined in this Agreement. You also agree to maintain the list of third-parties authorized to access the private credit rating current and to notify S&P Global Ratings in writing of any changes to that list. S&P Global Ratings may make access to the private credit rating subject to certain terms and conditions, and disclose on its public website the fact that the rated entity or obligations (as applicable) has been assigned a private credit rating.

3. Information to be Provided by You.

To assign and maintain the credit rating pursuant to this letter, S&P Global Ratings must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. Relevant financial and other information includes, but is not limited to, information about direct bank loans and debt and debt-like instruments issued to, or entered into with, financial institutions, insurance companies and/or other entities, whether or not disclosure of such information would be required under S.E.C. Rule 15c2-12. You understand that S&P Global Ratings relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the credit rating and the continued flow of material information as part of the surveillance process. You also understand that credit ratings, and the maintenance of credit ratings, may be affected by S&P Global Ratings opinion of the information received from issuers and their agents and advisors.

4. Other.

S&P Global Ratings has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. S&P Global Ratings has not performed and will not perform the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with a credit rating engagement.

S&P Global Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received from issuers, their agents or advisors. For these purposes, "Confidential Information" shall mean verbal or written information that the issuer, its agents or advisors have provided to S&P Global Ratings and, in a specific and particularized manner, have marked or otherwise indicated in writing (either prior to or promptly following such disclosure) that such information is "Confidential."

S&P Global Ratings does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a credit rating or the results obtained from the use of such information. S&P GLOBAL RATINGS GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. S&P Global Ratings, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to any person for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to a credit rating or the related analytic services even if advised of the possibility of such damages or other amounts.

With respect to each rating that you have asked S&P Global Ratings (a "nationally recognized statistical rating organization") to rate under this Agreement, you understand that S&P Global Ratings is required under Rule 17g-7(a)(1)(ii)(J)(1) through (2) under the Securities Exchange Act of 1934 (hereafter "J1/J2"), to determine, ahead of publication of the rating, the entity paying for credit rating services, the role that entity undertakes, and whether the entity paying for credit rating services has also paid S&P Global Ratings for ancillary services during the most recently ended fiscal year. You acknowledge that the undersigned contracted party is the entity responsible for payment of credit rating services, and will, by default, be the legal entity S&P Global Ratings uses for its J1/J2 disclosures, unless otherwise indicated by you. To the extent that you do not expect to pay the fees due under this Agreement directly, you undertake to notify S&P Global Ratings, in writing and in advance of any credit rating publication, of a) the full legal name, address and role of the entity that will be the recipient ("bill-to") of S&P Global Ratings invoices due under this Agreement and b) where different to the bill-to entity, the full legal name, address and role of the entity that will be the payer of invoices; you understand that we cannot use a paying agent or similar intermediary for the purpose of the disclosure. You understand, as contracting party, your role in enabling S&P Global Ratings to accurately present the disclosure of its credit ratings.

Please feel free to contact Michael Abad at michael.abad@spglobal.com if you have any questions or suggestions about our fee policies. In addition, please visit our web site at www.standardandpoors.com for our ratings definitions and criteria, research highlights, and related information. We appreciate your business and look forward to working with you.

Sincerely yours,
Blakely Fishlin

By :

Name: Blakely D. Fishlin

Title: Director, Sr. Lead, Product Management & Development
ma

cc:

Ms. Penny Brooker, Administrative Associate
Hilltop Securities Inc.

S&P Global Ratings - Data Protection Appendix to Terms and Conditions

1. **This Appendix:** This Data Protection Appendix ("**Appendix**") is incorporated into the Engagement Letter and S&P Global Ratings Terms and Conditions (together, the "**Agreement**") between S&P Global Ratings and you. In the event of conflict, this Appendix takes priority over the provisions of the Agreement but solely to the extent of the conflict.

2. **Definitions:** All words, terms or phrases, the meaning of which are defined in the Agreement, shall have the same meaning where used in this Appendix. In this Appendix, the following terms shall have the following meanings:

"controller", "processor", "data subject", "personal data", "processing", "process", "special categories of personal data" and "joint controller" shall have the meanings given in Applicable Data Protection Law; where these terms are not defined in the Applicable Data Protection Law, they shall have the meaning given to them in the GDPR;

"Analytical Data" means underlying personal data contained within the information which is provided to S&P Global Ratings for the purposes of the provision of the Services, such as the personal data of individuals who have financial products in place which are relevant to the issuing of a rating;

"Applicable Data Protection Law" shall mean, as applicable, the **EU General Data Protection Regulation (Regulation 2016/679)** (as may be amended, superseded or replaced) (**"GDPR"**) and all other supplemental or implementing laws relating to data privacy in the relevant European Union member state, including where applicable the guidance and codes of practice issued by the relevant supervisory authority, and/or all applicable data protection and privacy laws, regulations, binding guidance and mandatory codes of practice of other countries;

"Client Data" means personal data of data subjects, such as your employees, associates or partners, that is provided to S&P Global Ratings during the provision by S&P Global Ratings of the Services to you, such as name, job title, name of employer, office email address, office physical address, internet protocol address, office telephone number and language selection (and excludes special categories of personal data);

"Data" means Analytical Data and Client Data;

"Destination Jurisdiction" means a jurisdiction in respect of which additional safeguards are required under Applicable Data Protection Law of the Origin Jurisdiction in order lawfully to transfer personal data overseas to that jurisdiction;

"Origin Jurisdiction" means any of the following: a jurisdiction within the European Economic Area, the United Kingdom, Switzerland or Dubai International Financial Centre;

"Permitted Purpose" means processing in accordance with Applicable Data Protection Law:

(A) by employees, officers, consultants, agents and advisors of S&P Global Ratings or its affiliates of Data: (i) to provide ratings and other products and services (the **"Services"**) to you, (ii) to communicate with you regarding the Services that may be of interest to you, (iii) as described in the S&P Global Ratings' Use of Information section of the Agreement and (iv) as otherwise permitted in the Agreement;

(B) of personal data by you to access and use the Services;

"Restricted Transfer" means a transfer of Data from within an Origin Jurisdiction, or that is otherwise subject to Applicable Data Protection Law of an Origin Jurisdiction, to a Destination Jurisdiction;

"Standard Contractual Clauses" means the standard contractual clauses (as adopted by European Commission Decision 2021/914 on 4 June 2021) for the transfer of personal data to third countries pursuant to Regulation (EU) 2016/679 of the European Parliament and of the Council (a copy of the current version of which is accessible at: https://eur-lex.europa.eu/eli/dec_impl/2021/914/oj), as completed in the form available at: https://www.spglobal.com/_assets/documents/ratings/ratings_scc_controller_to_controller_final.pdf, and which shall be deemed incorporated into this Appendix by reference solely for purposes of Clause 8 of this Appendix and within which you are the **"Data Exporter"** and S&P Global Ratings is the **"Data Importer."**

3. Disclosure of data: Each party will only disclose personal data to each other to process strictly for the Permitted Purpose.

4. Relationship of the parties: Except as may be specifically otherwise agreed, the parties acknowledge that you are a **controller** of the Data you disclose to S&P Global Ratings and that S&P Global Ratings will process the Data you disclose to S&P Global Ratings as a separate and independent controller strictly for the Permitted Purpose. In no event will the parties process the Data as joint controllers. Each party shall be individually and separately responsible for complying with the obligations that apply to it as a controller under Applicable Data Protection Law. Please see our Customer Privacy Policy (available at https://www.spglobal.com/corporate-privacy-policy) and Cookie Notice (available at https://www.spglobal.com/corporate-privacy-policy/corporate-privacy-and-cookie-notice) for further information regarding how personal data that you provide to S&P Global Ratings in connection with the Services will be used and maintained.

5. Notifications: Except where and to the extent prohibited by applicable law, each party (**"Notifier"**) will inform the other promptly after any inquiry, communication, request or complaint relating to Notifier's processing of the personal data transferred by the other party to the Notifier under this Appendix which is received from: (i) any governmental, regulatory or supervisory authority, (ii) any data subject or (iii) any other person or entity alleging unlawful or unauthorized processing.

6. Use and Restrictions on Use: Notwithstanding the information that you are entitled to use from the Services and distribute to third parties to the extent permitted by the Agreement, you shall not distribute or use any personal data to which you have had access when receiving the Services other than for the Permitted Purpose.

7. Security: The parties shall implement appropriate technical and organisational measures to protect the Data from: (i) accidental, unauthorized or unlawful destruction and (ii) loss, alteration, unauthorised disclosure of or access to the Data.

8. International Transfer of Data:

8.1 S&P Global Ratings may process (or permit to be processed) any Data in any jurisdiction (including any Destination Jurisdiction) or receive and make Restricted Transfers in relation to any Data provided that it does so in accordance with Applicable Data Protection Law.

8.2 To the extent that you are subject to Applicable Data Protection Law, the Standard Contractual Clauses shall: (i) apply, to the extent permitted by Applicable Data Protection Law, to Restricted Transfers by you (as Data Exporter) to S&P Global Ratings (as Data Importer); (ii) be deemed to be populated with your details as set out in the Agreement; (iii) be incorporated into and made a part of this Appendix; and (iv) be deemed to be executed by you executing the Agreement.

8.3 To the extent that the Standard Contractual Clauses apply between S&P Global Ratings and you:

(a) Where the Origin Jurisdiction is not within the European Economic Area, the Standard Contractual Clauses shall be construed in light of the equivalent provisions of relevant Applicable Data Protection Law of the Origin Jurisdiction insofar as Applicable Data Protection Law permits, and in particular references within the Standard Contractual Clauses: (i) to provisions of the GDPR shall be read as being references to any equivalent provisions in the Applicable Data Protection Law of the Origin Jurisdiction; (ii) to Member States and the Union shall be read as being references to the relevant Origin Jurisdiction; and (iii) to third countries shall be read as being references to the relevant Destination Jurisdiction, in each case as the context requires;

(b) Each party shall perform its obligations under the Standard Contractual Clauses at its own cost; and

(c) If the Standard Contractual Clauses are amended or replaced, the parties agree to take steps to put in place any amended or replacement version between them, as required by Applicable Data Protection Law.

9. Survival: This Appendix shall survive termination or expiry of the Agreement. Upon termination or expiry of the Agreement, S&P Global Ratings may continue to process the Data, provided that such processing complies with the requirements of this Appendix and Applicable Data Protection Law.

Memorandum

HilltopSecurities
A Hilltop Holdings Company

Jim Sabonis
Managing Director
jim.sabonis@hilltopsecurities.com

Andre Ayala
Senior Vice President
andre.ayala@hilltopsecurities.com

Jorge Delgado
Vice President
jorge.delgado@hilltopsecurities.com

Date: **September 30, 2021**

To: **Steven Watson**
County Auditor
Johnson County, Texas

Re: **Economic Refinancing of Existing 2015 Certificates of Obligation**

During the September 14th Commissioners' Count Meeting, the Commissioners approved moving forward with the economic refunding of the 2015 Certificates of Obligation. The projected economic savings data include in the economic refunding presentation were net of all financing costs which would be paid out of the refinancing bond proceeds not from any existing County funds.

An updated refunding analysis, based on September 29, 2021 bond market conditions and pricing and a Preliminary Cost of Issuance Budget, attached in Appendix A, indicates the economic refunding will reduce future principal and interest payments by $983,339 or 5.87% percent of the current Series 2015 bonds outstanding.

In general, all fees and costs involved with the refunding process, with the exception of the credit rating fees from Standard & Poor's and Fitch, are contingent on a successful refinancing bond issue and paid at the closing of the successful refunding transaction. The total financing costs budget accounts for bond counsel fees, financial advisory fees, disclosure counsel fees, credit rating fees (Fitch and Standard & Poor's), Texas Attorney General review fees, paying agent fees, escrow agent fees, bond redemption fees, escrow verification fees, offering document preparation fees, printing fees and a budget contingency, which are included in our refinancing analysis. As part of our Municipal Advisor Services to the County, Hilltop Securities will gather all fees and invoices and will finalize the financing costs budget as we move forward with the refinancing process.

We have prepared a Preliminary Cost of Issuance Budget which includes standard required services needed by the County to implement the economic refunding. The fee amounts indicated in the Preliminary Cost of Issuance Budget are based on industry standards and estimates based on our prior experience with issuing refinancing bonds and the par amount of the County's refinancing bonds. The fees due to Hilltop Securities for Municipal Advisory services are based on the existing financial advisory agreement between the County and Hilltop Securities dated August 14, 2000 and are contingent on a successful refinancing of the County's Series 2015 Certificates of Obligation.

Over the past few years, expanded regulatory requirements have resulted in formal disclosure and engagement documentation for the bond rating companies and regulated professionals involved in providing services to the County regarding the issuance of the refunding bonds. Attached as separate PDF files are the disclosure / engagement agreements for Standard and Poor's Rating Agency, Fitch Ratings, Inc., and Hilltop Securities Bidding Agent. Each of the firms play an essential role for the County in the issuance of the County's General Obligation Refunding Bonds, Series 2021, as follows:

1) Fitch Ratings, Inc. – Fitch is a bond rating agency that will review the County's financial condition and provide a bond rating on the General Obligation Refunding Bonds, Series 2021 that is used by investment professionals when qualifying the debt issue to purchase and when deterring the price to bid for the debt issue. Th County has used Fitch to rate its previous debt issuance and has a current "AA+" Fitch long term debt rating outstanding. The estimated cost to have the refunding bonds rated is $18,000, is included in and will be paid out of cost of issuance. Attached is Fitch Ratings, Inc. standard disclosure / engagement letter.

2) Standard and Poor's Rating Agency – Standard and Poor's Rating Agency is a bond rating agency that will review the County's financial condition and provide a bond rating on the General Obligation Refunding Bonds, Series 2021 that is used by investment professionals when qualifying the debt issue to purchase and when deterring the price to bid for the debt issue. Th County has used Standard and Poor's Rating Agency to rate its previous debt issuance, and has a current "AA, Stable" S&P long term debt rating outstanding. The estimated cost to have the refunding bonds rated is $20,500, is included in and will be paid out of cost of issuance. Attached is Standard and Poor's Rating Agency standard disclosure / engagement letter.

3) Hilltop Securities, Inc. – Due to the Federal Government bumping up to its debt limit, the Federal Reserve has stopped providing State and Local Government Securities ("SLGS") to issuers to fund refunding escrows. As a result, the County will have to purchase open market securities to fund the refunding escrow as part of the Series 2021 economic refunding. The refunding bond issue closes and deposits funds into an escrow on December 7, 2021 that are invested to the Series 2015 call date of February 15, 2025. The estimated escrow amount is $15.8 million which based on current market conditions will earn approximately $291 thousand net of estimated escrow agent fee of approximately $4 thousand (reduced from an estimated standard $30 thousand fee to minimum fee of $4,000). As escrow agent, Hilltop Securities, Inc. will prepare specifications and bid solicitation documentation, circulate solicitation documents to investment providers, manage the bid solicitation process, tabulate bid results, and report bid results to the County. Attached is Hilltop Securities, Inc.'s standard escrow agent disclosure / engagement letter.

Please call or email me if you have any questions or want to discuss.

Appendix A

Preliminary Cost of Issuance Budget

Johnson County, Texas *Preliminary; Subject to Change*

$16,160,000

General Obligation Refunding Bonds, Taxable Series 2021

COST OF ISSUANCE BUDGET		
Financial Advisory Fee	$	41,350.00
Bond Counsel Fee & Expenses		20,000.00
Disclosure Counsel Fee & Expenses		10,000.00
Attorney General Fee		9,500.00
Paying Agent		750.00
Escrow Agent		1,000.00
Bond Call Fees		500.00
Verification Agent		3,000.00
Document Preparation Fee		4,000.00
Official Statement Printing		2,500.00
Standard & Poor's		20,500.00
Fitch		20,000.00
Disclosure Fee		250.00
Miscellaneous		650.00
TOTAL	$	134,000.00