

Tax Notes, Series 2023

Proposed Schedule of Events

June 2023							July 2023						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
				1	2	3							1
4	5	6	7	8	9	10	2	3	4	5	6	7	8
11	12	13	14	15	16	17	9	10	11	12	13	14	15
18	19	20	21	22	23	24	16	17	18	19	20	21	22
25	26	27	28	29	30		23	24	25	26	27	28	29

Proposed Date	Action
June 1, 2023	Hilltop sends out initial draft of POS for review and comment. Hilltop sends necessary information to S&P Global Ratings (S&P).
June 7, 2023	Comments on initial draft of POS due to Hilltop.
June 12, 2023	Hilltop sends second draft of POS to parties for review and comment.
June 13, 2023	Conference calls with rating agencies (actual date and time TBD). Due Diligence call with Underwriter's Counsel (actual date and time TBD).
June 15, 2023	Comments on second draft of POS due to Hilltop.
June 19, 2023	Hilltop submits POS for electronic distribution via internet.
June 22, 2023	Receive ratings.
June 26, 2023	Pricing of Notes City Council Considers Note Order (5:30 meeting)
June 27, 2023	Draft of Final Official Statement distributed for review.
June 29, 2023	Bond Counsel submits documentation to Attorney General's Office. Comments due on Final Official Statement.
June 30, 2023	Final Official Statement posted to internet and sent to printer.
July 5, 2023	Written Final Official Statement received by all parties.
July 12, 2023	Hilltop to notify all parties of closing and delivery instructions.
July 17, 2023	Closing and Delivery.

CITY OF MINEOLA
(Wood County, Texas)

Tax Notes, Series 2023

Preliminary Debt Service - PUBLIC OFFERING

May 1, 2023

FiscYear Ending	Existing Debt Service				Tax Notes, Series 2023					New Debt Service			
	Tax Supp	W&S Supp	Sales Tax	Total	Principal	Int.Rate	Yield	Interest	Total	Tax Supp	W&S Supp	Sales Tax	Total
9/30/2023	\$ 251,363	\$ 1,200,978	\$ 275,038	\$ 1,727,378						\$ 251,363	\$ 1,200,978	\$ 275,038	\$ 1,727,378
9/30/2024	249,825	1,203,729	271,225	1,724,779	\$ 350,000	5.000%	2.880%	\$ 142,750	\$ 492,750	496,200	1,203,729	517,600	2,217,529
9/30/2025	251,925	1,202,245	273,625	1,727,795	370,000	5.000%	2.880%	125,250	495,250	499,550	1,202,245	521,250	2,223,045
9/30/2026	253,800	999,191	275,800	1,528,791	385,000	5.000%	2.790%	106,750	491,750	499,675	999,191	521,675	2,020,541
9/30/2027	251,700	1,005,600	271,500	1,528,800	405,000	5.000%	2.740%	87,500	492,500	497,950	1,005,600	517,750	2,021,300
9/30/2028	255,000	1,003,624	272,800	1,531,424	425,000	5.000%	2.730%	67,250	492,250	501,125	1,003,624	518,925	2,023,674
9/30/2029	250,350	1,017,975	276,250	1,544,575	450,000	5.000%	2.700%	46,000	496,000	498,350	1,017,975	524,250	2,040,575
9/30/2030	249,300	1,015,975	275,500	1,540,775	470,000	5.000%	2.700%	23,500	493,500	496,050	1,015,975	522,250	2,034,275
9/30/2031	255,450	1,022,000	271,950	1,549,400						255,450	1,022,000	271,950	1,549,400
9/30/2032	253,500	1,015,600	275,700	1,544,800						253,500	1,015,600	275,700	1,544,800
9/30/2033	-	1,018,200	200,200	1,218,400						-	1,018,200	200,200	1,218,400
9/30/2034	-	1,019,400	198,600	1,218,000						-	1,019,400	198,600	1,218,000
9/30/2035	-	514,200	196,800	711,000						-	514,200	196,800	711,000
9/30/2036	-	517,800	194,800	712,600						-	517,800	194,800	712,600
9/30/2037	-	520,600	197,600	718,200						-	520,600	197,600	718,200
9/30/2038	-	297,600	-	297,600						-	297,600	-	297,600
9/30/2039	-	292,800	-	292,800						-	292,800	-	292,800
9/30/2040	-	292,800	-	292,800						-	292,800	-	292,800
9/30/2041	-	297,400	-	297,400						-	297,400	-	297,400
9/30/2042	-	296,400	-	296,400						-	296,400	-	296,400
9/30/2043	-	-	-	-						-	-	-	-
	\$ 2,522,213	\$15,754,117	\$ 3,727,388	\$22,003,717	\$ 2,855,000			\$ 599,000	\$ 3,454,000	\$4,249,213	\$ 15,754,117	\$ 5,454,388	\$ 25,457,717

Notes: The Certificates shown above are dated and delivered on June 15, 2023.
Principal on the Certificates is due on June 15 of each year.
Interest is payable on June 15 and December 15, beginning June 15, 2024.
It is anticipated that 50.00% of the Series 2023 Tax Notes will be repaid from surplus sales tax revenues.
True Interest Cost is computed at 2.970638%.



REGULATORY DISCLOSURE REGARDING MUNICIPAL ADVISORY AGREEMENT

Hilltop Securities Inc. (“HilltopSecurities”), currently is engaged by City of Mineola, Texas (the “Issuer”) to serve as its financial advisor or municipal advisor (hereinafter referred to as “municipal advisor”) under that certain Financial Advisory Agreement dated March 24, 2014 (the “Existing Municipal Advisory Agreement”). As of June 23, 2016, pursuant to Rule G-42 of the Municipal Securities Rulemaking Board (“MSRB”), all municipal advisors are required to evidence their municipal advisory relationships with their municipal entity clients by means of one or more written documents delivered to the client, which documentation is required to include certain specific terms, disclosures and other items of information. This Regulatory Disclosure Regarding Municipal Advisory Agreement (this “Disclosure”), together with the Existing Municipal Advisory Agreement and the accompanying disclosures, shall serve as the required written documentation of our municipal advisory relationship as required under MSRB Rule G-42.

To that end, this Disclosure reaffirms the following matters as set forth in the Existing Municipal Advisory Agreement in connection with the *Tax Notes, Series 2023* (the “Transaction”):

1. *Scope of Services.*

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

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

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

Furthermore, HilltopSecurities is of the view that the provision of advice by HilltopSecurities to the Issuer with respect to matters involving third-party recommendations outside the scope of the Municipal Advisory Services shall not result in a change in scope of the Municipal Advisory Services. By way of example, if HilltopSecurities serves as municipal advisor for an issuance of municipal securities within the scope of Municipal Advisory Services but is asked to review a recommendation made by a third party with respect to a different issuance of municipal securities not within the scope of Municipal Advisory Services, any advice with respect to such review would not, by itself, cause such other issuance to come within the scope of Municipal Advisory Services, and HilltopSecurities would not be obligated to undertake any of the services within the scope of Municipal Advisory Services with regard to such issuance unless such scope of Municipal Advisory Services under the Existing Municipal Advisory Agreement is amended by the Issuer and HilltopSecurities.

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

(i) to make recommendations to the Issuer or to review recommendations made by others to the Issuer, and in connection therewith to determine whether such recommendations are suitable for the Issuer, in order to fulfill its duties with respect to such recommendations and any associated suitability determinations, HilltopSecurities will be required under MSRB Rule G-42 to make reasonable inquiries of the Issuer as to the relevant facts. Such facts include, at a minimum, information regarding the Issuer's financial situation and needs, objectives, tax status, risk tolerance, liquidity needs, experience with municipal securities transactions or municipal financial products generally or of the type and complexity being recommended, financial capacity to withstand changes in market conditions during the term of the municipal financial product or the period that municipal securities to be issued in the municipal securities transaction are reasonably expected to be outstanding, and any other material information known by HilltopSecurities about the Issuer and the municipal securities transaction or municipal financial product. In addition, HilltopSecurities will be required to use reasonable diligence to know the essential facts about the Issuer and the authority of each person acting on behalf of the Issuer so as to effectively service HilltopSecurities' municipal advisory relationship with the Issuer, to act in accordance with any special directions from the Issuer, to understand the authority of each person acting on behalf of the Issuer, and to comply with applicable laws, regulations and rules.

Accordingly, the Issuer will be expected to provide information that it reasonably believes to be accurate and complete upon request to permit HilltopSecurities to fulfill its responsibilities under MSRB Rule G-42.

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

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

(iii) to make representations and certifications with regard to certain aspects of matters pertaining to the Issuer, its municipal securities or municipal financial products arising as part

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

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

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

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

4. Disclosure of Conflicts of Interest and Information Regarding Legal or Disciplinary Events. Attached hereto is the Municipal Advisory Disclosure Statement, dated as of the date of this Disclosure, setting forth disclosures by HilltopSecurities of material conflicts of interest (the "Conflict Disclosures"), if any, and of any legal or disciplinary events required to be disclosed pursuant to MSRB Rule G-42(b) and (c)(ii). The Conflict Disclosures also describe how HilltopSecurities addresses or intends to manage or mitigate the disclosed conflicts of interest, as well as describing the specific type of information regarding, and the date of the last material change, if any, to the legal and disciplinary events required to be disclosed on Forms MA and MA-I filed by HilltopSecurities with the SEC.

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

HILLTOP SECURITIES INC.

By: 

Name: John L. Martin, Jr.

Title: Senior Managing Director

Date: May 18, 2023

MUNICIPAL ADVISOR DISCLOSURE STATEMENT

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

PART A – Disclosures of Conflicts of Interest

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

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

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

I. Affiliate Conflict. The Firm, directly and through affiliated companies, provides or may provide services/advice/products to or on behalf of clients that are related to the Firm’s advisory activities within the Scope of Services outlined in the Agreement. 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 pre-fund Other Post-Employment Benefit liabilities. The Firm has a structured products desk that provides advice to help clients mitigate risk through investment management, debt management and commodity price risk management products. These products consist of but are not limited to swaps (interest rate, currency, commodity), options, repos, escrow structuring and other securities. Continuing Disclosure services provided by the Firm work with issuers to assist them in meeting disclosure requirements set forth in SEC rule 15c2-12. Services include but are not limited to ongoing maintenance of issuer compliance, automatic tracking of issuer’s annual filings and public notification of material events. The Firm administers government investment pools. These programs offer governmental 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. 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 not identified any additional potential or actual material conflicts of interest that require disclosure on behalf of the Firm.

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

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

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

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

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

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

- For related disciplinary actions please refer to the Firm's BrokerCheck webpage.
- The Firm self-reported violations of SEC Rule 15c2-12: Continuing Disclosure. The Firm settled with the SEC on February 2, 2016. The firm agreed to retain independent consultant and adopt the consultant's finding. Firm paid a fine of \$360,000.
- The Firm settled with the SEC in matters related to violations of MSRB Rules G-23(c), G-17 and SEC rule 15B(c) (1). The Firm disgorged fees of \$120,000 received as financial advisor on the deal, paid prejudgment interest of \$22,400.00 and a penalty of \$50,000.00.
- The Firm entered into a Settlement Agreement with Rhode Island Commerce Corporation. Under the Settlement Agreement, the firm agreed to pay \$16.0 million to settle any and all claims in connection with The Rhode Island Economic Development Corporation Job Creation Guaranty Program Taxable Revenue Bond (38 Studios, LLC Project) Series 2010, including the litigation thereto. The case, filed in 2012, arose out of a failed loan by Rhode Island Economic Development Corporation. The firm's predecessor company, First Southwest Company, LLC, was one of 14 defendants. HilltopSecurities' 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 – MSRB Rule G-10 Disclosure

MSRB Rule G-10 covers Investor and Municipal Advisory Client education and protection. This rule requires that municipal advisors make certain disclosures to all municipal advisory clients. This communication is a disclosure only and does not require any action on your part. The disclosures are noted below.

1. Hilltop Securities Inc. is registered with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board as a Municipal Advisor.
2. You can access the website for the Municipal Securities Rulemaking Board at www.msrb.org
3. The Municipal Securities Rulemaking Board has posted a municipal advisory client brochure. A copy of the brochure is attached to the memo. This link will take to you to the electronic version [MA-Clients-Brochure](#).

PART D – Future Supplemental Disclosures

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

DISCLOSURE OF MATERIAL RISKS

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

As a municipal advisor, it is our fiduciary duty to analyze every aspect of a client's financial situation. A municipal 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 transaction 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.

Government Investment Pool Risks

Government Investment Pools are subject to various risks, including those listed below, any of which may adversely affect the Pool's performance and its ability to meet its investment objectives.

Interest Rate Risk

The prices of bonds and other debt securities in which the Pool will invest, including bonds and debt securities issued by the U.S. Government, its agencies and instrumentalities, will change in value, that is, market price based on changes in interest rates. If rates increase, the value of these investments generally declines. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities. The Pool may also invest in variable and floating rate securities. Although these instruments are generally less sensitive to interest rate changes than fixed rate instruments, the value of floating rate and variable securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates.

Credit Risk

Credit risk is the possibility that an issuer of a fixed income security held by the Pool will default on the security by failing to pay principal or interest when due. Generally, the lower the credit quality of a security, the higher the yield and the higher the element of credit risk, all other factors being equal. Any class of investment is subject to this risk. Remedies against a defaulting issuer of securities are limited, and the Pool may not be successful in securing repayment. A deterioration in credit quality or perceived credit quality

of an investment held by the Pool could reduce the market price at which the Pool could sell the investment. Direct U.S. Treasury obligations are generally considered to have the lowest credit risk among securities since they are backed by the full faith and credit of the U.S. government, meaning that the U.S. government is required to repay the principal when due. Other types of securities issued or guaranteed by federal agencies and U.S. government sponsored instrumentalities may not be backed by the full faith and credit of the U.S. Government and therefore offer more credit risk since payment is due from the agency or instrumentality only.

Market Risk

Market Risk is the potential for a decline in market value generally due to, but not limited exclusively to, rising interest rates. For example, a bond or other security issued or backed by the United States government is guaranteed only as to the timely payment of interest and principal; its market price on any given day is not guaranteed and will fluctuate in value as market perceptions, market conditions and interest rates change. In general, the market value of a bond varies inversely with interest rates. If interest rates rise, then market values fall. If interest rates fall, then market values rise. Also, the volatility and related market values typically fluctuate more for longer-term securities than for shorter-term securities. The market price of securities may rapidly or unpredictably decline due to factors affecting the securities markets in general or in particular industries.

Stable Net Asset Value Risk

Although the Pool seeks to preserve the value of its participants' investment at \$1.00 per Unit, it cannot guarantee it will do so. An investment in the Pool is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Prepayment Risk

Some of the securities in which the Pool will invest permit the repayment of principal on an unscheduled basis. The result is that the Pool must reinvest the proceeds when they are received and may not be able to attain the same interest rate or credit characteristics as the original investment.

Management Risk

The Pool is subject to management risk and it may not achieve its objective if the Investment Manager's expectations regarding particular instruments or interest rates are not met.

Transactions Risk

The Pool could experience a loss and its liquidity may be negatively impacted when selling securities to meet withdrawal requests by participants. The risk of loss increases if the withdrawal requests are unusually large, frequent, or occur in times of overall market turmoil or declining prices. Similarly, large purchases of Pool units may adversely affect the Pool's performance to the extent that the Pool is delayed in investing new cash and is required to maintain a larger cash position than it ordinarily would.

Liquidity Risk

Trading opportunities are more limited for fixed income securities that are not widely held. These features make it more difficult to sell or buy securities at a favorable price or time. Consequently, the Pool may have

to accept a lower price to sell a security, sell other securities to raise cash, or give up on an investment opportunity, any of which could have a negative impact on the Pool's performance.

Repurchase Agreements

A Pool may also invest in Repurchase Agreements which are collateralized by cash or obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the United States, its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation. Under such an agreement, a financial institution or primary dealer agrees, upon entering into the contract, to repurchase a security at a mutually agreed upon time and price, thereby determining the yield during the term of the agreement. This results in a fixed rate of return insulated from market fluctuations during such period. In the event of default by the seller under a Repurchase Agreement, the Pool may suffer time delays and incur costs or possible losses in connection with the disposal of the collateral. In the event a repurchase agreement counterparty fails to make payment or defaults completely, the Pool should be able to take possession of and sell the securities held to secure the counterparty's obligations. However, a loss may be realized on the sale of the underlying security to the extent that the proceeds from the sale of the security are less than the resale price, including interest, provided in the repurchase agreement. Moreover, should a counterparty declare bankruptcy or become insolvent, the Pool may incur delays and costs in selling the underlying security.

Prime Fund Risks

Prime Funds are money market funds that primarily invest in corporate debt securities. Commercial paper refers to short-term unsecured promissory notes issued by business entities to finance short-term credit needs, and they may carry greater risk in comparison to obligations of the U.S. and its agencies and instrumentalities. A Prime Pool will invest in high quality commercial paper. However, it is possible that an entity issuing such paper could default, file for bankruptcy, or be placed in bankruptcy involuntarily. If the commercial paper is not secured, the pool holding the paper would join the line of unsecured creditors who would get any residual assets of the entity based on the seniority of their unsecured claims.

Rollover Risk

Issuers of commercial paper could fail to make payments when due or default completely. Many issuers of commercial paper expect to repay commercial paper obligations at maturity from the proceeds of issuance of new commercial paper. As a result, investment in commercial paper is subject to the risk the issuer cannot issue enough new commercial paper to satisfy its outstanding commercial paper payment obligations, also known as rollover risk.

Concentration Risk

Because a Prime Pool, under ordinary circumstances, invests a significant portion of its assets in securities of companies in the banking industry, developments affecting the banking industry may have a disproportionate impact on the Prime Fund. These risks generally include interest rate risk, credit risk and risk associated with regulatory changes in the banking industry. The profitability of banks depends largely on the availability and cost of funds, which can change depending on economic conditions.

Foreign Securities Risk

Foreign securities pose additional risks because foreign economic or political conditions may be less favorable than those of the United States. These risks include capital controls and the imposition of foreign withholding taxes.

Fixed Rate Notes

Certain risks may arise in connection with your issuance of Fixed Rate Notes, including some or all of the following (generally, the obligor, rather than you, will bear these risks for conduit revenue Notes):

Issuer Default Risk

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

Redemption Risk

Your ability to redeem the notes 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 notes 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 notes when required. Further, limitations in the federal tax rules on advance refunding of notes (an advance refunding of Notes occurs when tax-exempt notes are refunded more than 90 days prior to the date on which those notes may be retired) may restrict your ability to refund the notes to take advantage of lower interest rates.

Reinvestment Risk

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

Tax Compliance Risk

The issuance of tax-exempt notes 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 notes. You also must covenant to take certain additional actions after issuance of the tax-exempt notes. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on the notes to become taxable retroactively to the date of issuance of the notes, which may result in an increase in the interest rate that you pay on the notes or the mandatory redemption of the notes. The IRS also may audit you or your notes, in some cases on a random basis and in other cases targeted to specific types of note issues or tax concerns. If the notes are declared taxable, or if you are subject to audit, the market price of your notes may be adversely affected. Further, your ability to issue other tax-exempt notes 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 notes.

Disclosure Compliance Risk

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

Qualified School Construction Bond/Note (QSCB) Program Risk

Issuers that receive subsidy payments from the Federal Government under the QSCB program for their bond or note issuances can have that subsidy payment reduced or even eliminated in the event of Sequestration or the violation of QSCB program rules.