STATE OF TEXAS **TWDB Contract No. 1700012106**
COUNTY OF TRAVIS

AGREEMENT FOR FINANCIAL ADVISORY SERVICES

This Agreement for Financial Advisory Services, effective March 1, 2017, by and between the **TEXAS WATER DEVELOPMENT TWDB** (the "TWDB"), an agency of the State of Texas, whose mailing address is Stephen F. Austin State Office Building, 1700 N. Congress Avenue, P.O. Box 13231, Austin, Texas 78711-3231 and **FIRSTSOUTHWEST, A DIVISION OF HILLTOP SECURITIES, INC.** (Advisor), whose mailing address is **70 Northeast Loop 410, Suite 710, San Antonio, Texas 78216**, sets forth the terms and conditions under which the Advisor shall provide services.

WHEREAS, the TWDB is desirous of obtaining the services of a financial advisor to develop and assist in implementing the TWDB's strategies to meet its current and long-term operations and render assistance in respect to debt transactions; and

WHEREAS, pursuant to a Request for Proposals, the Advisor submitted and the TWDB accepted a proposal to perform services as Financial Advisor to the TWDB,

NOW, THEREFORE, the parties hereto agree as follows:

I. AUTHORITY, TERM, AND CONTINGENCY

1.01. Authority

The TWDB enters into this Contract pursuant to Texas Water Code §6.190, which authorizes the Executive Administrator of the TWDB to negotiate with and enter into a contract with any entity to carry out the powers, duties, and responsibilities of the TWDB.

1.02. Term and Termination

The provisions of this Agreement for Financial Advisory Services shall commence on **March 1, 2017** and shall terminate on **February 28, 2019**, unless terminated earlier pursuant to Section 4.04 of this Agreement. The TWDB shall have the right to extend the term of this Agreement twice for an additional 12 month period in each case, beginning **March 1, 2019**. The initial term plus the optional extended terms shall constitute the "Agreement Period."

1.03. Contingent Upon Availability of Funds

The Advisor understands that payments by and obligations of the TWDB, under this Contract, are contingent upon the receipt of appropriated funds and bond proceeds. The Advisor also understands that this Contract does not constitute a debt on behalf of the State of Texas.

1.04. No Waiver; Advisor's Rights

The Advisor understands and agrees that the TWDB's execution of this Contract does not constitute a waiver of the sovereign immunity of the State of Texas; neither does it constitute a waiver of the State of Texas' Eleventh Amendment immunity. Further, the Advisor understands and agrees that his rights and obligations relating to any dispute arising from this Contract shall be governed solely by the provisions of Government Code, chapter 2260 relating to certain contract claims against the State. TWDB agrees that the dispute resolutions provision of chapter 2260 shall be utilized to resolve any disputes arising out of the Advisor's performance of work under this Contract.

II. GENERAL TERMS AND CONDITIONS

2.01. Severability

If any provision of this Contract is construed to be illegal or invalid, such interpretation shall not affect the legality or validity of any of its other provisions. The illegal or invalid provision shall be deemed stricken and deleted to the same extent and effect as if it were never incorporated into this Contract, but all other provisions shall remain in full force and effect.

2.02. Amendments and Change Orders

This Contract may not be amended, changed or modified in any manner, except upon written agreement of the Advisor and the TWDB. Oral modifications are of no force or effect and shall be considered null and void. No person employed by the TWDB is authorized to amend, change or modify this Contract except in accordance with this section.

2.03. No Liability for Taxes

TWDB is not liable for and may be exempt from the payment of any Federal, State, or Local taxes related to or incurred in connection with the Advisor's work performed pursuant to this Contract. The Advisor is solely responsible for the payment and discharge of any and all such taxes, including any penalties and interest.

2.04. Independent Contractor

The Advisor will perform work under this Contract as an independent contractor and not as an agent or representative of TWDB. The Advisor is solely and exclusively liable for all taxes and employment-related charges incurred in connection with the performance of this Contract. TWDB will not be liable for any employment-related charges or benefits of the Advisor, such as workers compensation benefits, unemployment insurance and benefits, overtime, or fringe benefits.

2.05. Right to Audit; Records Retention

The Advisor understands that the acceptance of funds under this Contract constitutes an acceptance of the authority of the Texas State Auditor's Office to conduct audits and investigations in connection with state funds received pursuant to this contract. The Advisor shall comply with and cooperate in any such investigation or audit. The Advisor also agrees to include a provision in any subcontract related to this contract that requires

the subcontractor to submit to audits and investigation by the State Auditor's Office in connection with any and all state funds received pursuant to the subcontract. The Advisor agrees to keep and maintain any supporting documents, in all media, related to the Advisor's work under this Contract for a period of four years after the final payment under this Contract.

2.06. No Lobbying

The Advisor understands and agrees that no lobbying of any legislative body or elected or appointed official, as defined by applicable state and federal laws, shall be performed with funds provided by this Contract and further that TWDB expressly prohibits the Advisor from lobbying related to the Work provided under this Contract.

2.07. No Assignment or Subcontract

The Advisor shall not assign or subcontract the whole or any part of this Contract without the prior written consent of the TWDB.

2.08. No Conflicts

The Advisor represents and warrants that the Advisor has no actual or potential conflicts of interest in providing services to the TWDB or the State of Texas under this Contract and that the Advisor does not have any ground to believe that the provision of services hereunder will create the appearance of a conflict of interest.

2.09. Deceptive Trade Practices; Unfair Business Practices; Antitrust

The Advisor represents and warrants that neither it nor any of its employees have been the subject of allegations of violations of the Deceptive Trade Practices Act, Tex. Bus. & Com. Code, chapter 17 nor have they been found to be liable for any unfair business practices. Further the Advisor agrees that neither the Advisor nor its employees have they violated the antitrust laws of the State under Tex. Bus. & Com. Code, chapter 15.

2.10. Force Majeure

Unless otherwise provided, neither the Advisor nor the TWDB shall be liable to the other for any delay in, or failure of performance of a requirement contained in this Agreement caused by *force majeure,* meaning a failure or delay in a party's performance under this Agreement that is
caused by acts of God, war, strike, fires, explosions, or other causes that are beyond the reasonable control of either party and that by exercise of due foresight such party could not reasonably have been expected to avoid, and which, by the exercise of all reasonable due diligence, such party is unable to overcome. The existence of such causes of delay or failure shall extend the period of performance until after the causes of delay or failure have been removed provided the non-performing party exercises all reasonable due diligence to perform. Each party must inform the other in writing with proof of receipt within five (5) business days of the existence of such *force majeure* or otherwise waive this right as a defense.

2.11. INTERESTED PARTIES

All non-governmental CONTRACTORS are required to submit a Certificate of Interested Parties at the time the signed contract is submitted to the TWDB. The Certificate of Interested Parties (Form 1295) is a sworn statement by the contracting business entity and must be submitted even if there is no interested party in the transaction. The Form 1295 and instructions for completing and submitting the form are available at: https://www.ethics.state.tx.us/tec/1295-Info.htm. The TWDB is prohibited from executing a contract unless the contracting business entity submits a completed Form 1295.

III. CONTRACT ADMINISTRATION

3.01. General Advisory Compensation

Services for financial planning and policy development, as described in Exhibit A, will be provided at the below hourly rates:

Experience Level	Hourly Rate
Regional Managing Director/Managing Director	$290
Director	$260
Vice President	$230
Assistant Vice President	$150
Analysts & Associates	$105
Clerical/Support	$55

3.02. Debt Transaction Compensation

For financial advisory services related to the issuance of debt, as described in Exhibit B, services will be billed by flat fee as described in the schedule below. The Executive Administrator retains the option to exceed the fees as described in the schedule below if necessary based on extenuating circumstances.

Bond Increment	General Obligation	Refundings/State Revolving Fund	SWIRFT
$1,000,000 - $50,000,000	$50,000	$60,000	$60,000
$50,001,000 - $100,000,000	$50,000 plus $0.75 per $1,000 above $50,000,000	$60,000 plus $1.00 per $1,000 above $50,000,000	$60,000 plus $1.00 per $1,000 above $50,000,000
$100,001,000 - $200,000,000	$87,500 plus $0.50 per $1,000 above $100,000,000	$110,000 plus $0.65 per $1,000 above $100,000,000	$110,000 plus $0.65 per $1,000 above $100,000,000
$200,001,000 and greater	$137,500 plus $0.25 per $1,000 above $200,000,000 not to exceed $150,000	$175,000 plus $0.50 per $1,000 above $200,000,000 not to exceed $200,000	$175,000 plus $0.50 per $1,000 above $200,000,000 not to exceed $250,000

For services related to the drafting of offering documents related to the issuance of debt (preliminary and final official statements), such services shall not be incorporated in schedule above, but shall be billed at a flat rate of $5,000 for General Obligation transactions and $7,500 for Refunding, State Revolving Fund, or SWIRFT transactions.

3.03 Defeasance Transaction Compensation

For services related to the cash defeasance of debt not otherwise incorporated as part of the issuance of debt in section 3.02 above, such services will be billed as follows:

(a) There shall be no fee associated with cash defeasances that do not require the use of an escrow account;

(b) Cash defeasances requiring the use of State and Local Government Series (SLGS) securities will be billed at a flat rate of $1,500 per series affected; and

(c) Cash defeasances requiring the use of open market securities will be priced with each bond issuance, in advance of the services to be rendered.

3.04 . Reimbursable Expenses

(a) Subject to the cap in Section 3.10, the TWDB will reimburse the Advisor for reasonable actual expenses incurred during the performance of duties pursuant to this Contract. The TWDB will reimburse the Advisor for all in-state or out-of-state travel expenses related to these duties pursuant to the guidance provided by the Texas Comptroller at https://fmx.cpa.texas.gov/fmx/travel/textravel/rates/current.php at the applicable rates for employees.

(b) If it is deemed necessary by the TWDB Executive Administrator or the Board Chairman, actual expenses may be reimbursed with prior approval in writing. The Advisor will also be reimbursed for:

1. Printing and mailing of the Preliminary Official Statement/Official Statement and any other disclosure or marketing materials that might be required;

2. Production of any verification reports or purchase of CUSIP numbers necessary to refund or defease bonds; and

3. Any other appropriate item of expense incurred on the TWDB's behalf pursuant to activities directed by the TWDB.

The Advisor must provide copies of original receipts as evidence of actual expenditures, if requested. No mark-up will be allowed on reimbursable contracts, expenses or subcontract expenses.

3.05. Additional Charges

The Advisor further agrees that no other charges for tasks, functions, or activities that are incidental or ancillary to the delivery of the services under this Contract will be charged to

the TWDB, nor will the failure of the TWDB to pay for such incidental or ancillary services entitle the Advisor to withhold services due under this Contract.

3.06. Invoices: Receipt and Payment

(a) Fees under Section 3.01 and expenses unrelated to debt transactions in 3.04 shall be billed by the Advisor quarterly. For any hourly fees incurred, the Advisor shall submit hourly detail monthly in Microsoft Excel format to substantiate hours worked.

(b) Fees related to debt transactions under Section 3.02, 3.03 and/or 3.04 shall be billed within 45 days after the transaction's closing date, and paid from bond proceeds set aside for such purposes.

(c) The Advisor will be paid upon invoices submitted to the TWDB for work performed. Payments under this Contract will be made in accordance with the Texas Prompt Payment Act, Government Code, Chapter 2251 where applicable. If the TWDB disputes payment of an invoice, then TWDB shall notify the Advisor of the existence of a bona fide dispute. TWDB may take any legally authorized action for purposes of enforcing a remedy or obtaining set-off against payments due, and TWDB may limit payments in accordance with Article III of this Contract. TWDB shall pay the Advisor within thirty days from receipt of an invoice unless TWDB notifies the Advisor of a bona fide dispute regarding the invoice. Invoices shall be addressed to the attention of the TWDB Point of Contact, and must be supported by sufficient detail to substantiate the Advisor's billings for such services and expenses.

(d) Upon request by the TWDB, the Advisor will provide detailed invoices and backup documents to the degree necessary to resolve any review, examination, inquiry, or audit by TWDB or any other authorized entity.

3.07. Payment Disputes

If TWDB disputes payment of all or any portion of an invoice from the Advisor, TWDB will notify the Advisor of such dispute and both Parties shall attempt, in good faith, to resolve the dispute. TWDB shall not pay any disputed amount before the dispute is resolved. Notwithstanding any such dispute, the Advisor shall, unless otherwise notified by TWDB, continue to perform the Services and produce deliverables in compliance with the terms of this Contract pending resolution of such dispute so long as all undisputed amounts continue to be paid to the Advisor.

3.08. Points of Contact

The Parties will direct inquiries and notices to:

For TWDB	For the Advisor
Oscar Ramirez	Anne Burger Entrekin
Finance Division	Regional Managing Director
Texas Water Development Board	First Southwest, a Division of Hilltop Securities, Inc.
P.O. Box 13231	70 Northeast Loop 410, Suite 710
Austin, Texas 78711-3231	San Antonio, Texas 78216
512.463.7870	210.308.2200
oscar.ramirez@twdb.texas.gov	anne.burgerentrekin@hilltopsecurities.com

3.09. Invoices

Invoices shall be submitted electronically to: invoice@twdb.texas.gov with a copy to: contracts@twdb.texas.gov

3.10. Limit on Total Payments

The total payments for services and expenses under this Agreement shall not exceed **$1,000,000 (one million dollars and no cents)** for the duration of this Agreement. Any increase to this fee cap during the term of this Agreement and any subsequent renewals thereof must be in writing and approved by the TWDB. The parties acknowledge and agree that nothing in this Agreement will be interpreted to create an obligation or liability in excess of the funds currently appropriated to the TWDB during this biennium. The Advisor is not required to perform services that cannot be compensated due to the limitations of this section. Nothing herein shall prevent the parties from amending the total amount of this Agreement in accordance with Section 4.06 herein.

3.11. Compensation for Time

Compensation for time will be paid only for time actually spent working on TWDB matters. Under no circumstances will the Advisor be compensated for off-duty hours while traveling.

IV. STATEMENT OF WORK

4.01. Description of Work

The Advisor shall provide the services set forth in the TWDB's RFQ and the Advisor's Proposal. These services are further described as Exhibits A and B to this Contract.

(a) General Advisory Services. The Advisor shall provide, upon request of the TWDB, services related to financial planning and policy development, examples of which, not intended to be exclusive, are set forth in Exhibit A to this Agreement. Services which are not related to a particular transaction shall be completed in accordance with a timetable as agreed between the TWDB's Executive Administrator and the Advisor.

(b) Debt Transaction Services. The Advisor shall provide, upon request of the TWDB, services related to debt issuance, examples of which, not intended to be exclusive, are set forth in Exhibit B to this Agreement.

(c) Advisory Staff. It is understood that the services to be performed hereunder will be provided by the following the Advisor personnel. Any changes to personnel must be approved by the TWDB's Chief Financial Officer. The TWDB has the right for any reason to request that the Advisor replace any member of the advisory staff. Should the TWDB make such a request, the Advisor shall promptly suggest a substitute for approval by the TWDB.

Advisory Staff	Experience Level
Anne Burger Entrekin	Regional Managing Director, Project Manager
Richard A. Fox	Managing Director, Senior Quantitative Support
Tony Cheung	Director, Senior SRF Quantitative Support
Richard Ramirez	Managing Director, Senior Banking Support
Maureen E. Gurghigian	Managing Director, Pooled Loan Specialist
Peter B. Stare	Managing Director, Long-Term Underwriting & Pricing Support
Mark A. McGruder	Managing Director, Long-Term Underwriting & Pricing Support
David R. Brayshaw	Director, Structured Products
Benjamin Bor	Associate, Analytical Support
Alain Garcia	Analyst, Analytical Support
Bill Vogelpohl	Managing Director, Institutional Sales Manager
Scott McIntyre	Managing Director, Investment Management Specialist
John Bannon	Assistant Vice President, Structured Products
Ginger Mann	Administrative Assistant, General Administrative Support
Mary Ann Gennero	Administrative Assistant, General Administrative Support

(d) Absent prior written disclosure made on behalf of the Advisor, and receipt of advance written approval by the TWDB's Executive Administrator directed in response to such disclosure, the above-listed advisory staff may not serve as financial advisor on any loan applications and/or ancillary transaction with TWDB. However, advisory staff that are not listed above and that are not otherwise providing services to the TWDB as "non-assigned personnel" under Section 3.02 of this Agreement may be engaged as financial advisor on loan applications and/or ancillary transactions with the TWDB.

4.02. Information to be furnished to the Advisor

All information, data, reports, and records in the possession of the TWDB necessary for carrying out the work to be performed under this Agreement shall be furnished to the Advisor and the TWDB shall cooperate with the Advisor in all reasonable ways.

4.03. Services: Standard of Care, Liability
Notwithstanding any language in the Advisor's Proposal and the Scope of Services, the Advisor agrees that it will provide financial advisory services to the TWDB in accordance with the standards of care and conduct applicable to persons engaged in the business of financial advisory services. Furthermore, The Advisor agrees that it will maintain the highest ethical standards applicable to persons engaged in the business of financial advisory services. Contractor agrees that in no event shall TWDB be liable for any errors or omissions, negligence, intentional torts or other misconduct of the Advisor or its employees, agents or subcontractors.

4.04. Termination for Convenience
This agreement may be terminated by either party, in whole or in part, without penalty, by notifying the other party in writing of such termination prior to the effective date of such termination. In the event of such termination by TWDB, the Advisor shall, unless otherwise mutually agreed upon in writing, cease all services immediately, except such services which are necessary to complete, in a cost effective manner, all services being provided. The TWDB shall be liable for payments for all services performed prior to the effective date of termination subject to the limitation in Section 3.10, plus any necessary services to cost effectively complete any work in progress. Such notification of termination shall state the effective date of such termination and be given at least 30 days prior to the date of termination. Notwithstanding any exercise by the TWDB of its termination rights pursuant to this section, the Advisor shall not be relieved of any liability to the TWDB for damages attributable to breach of this Agreement by the Advisor, or for amounts otherwise due the TWDB by the Advisor.

4.05. Confidential Information; Public Information Act
(a) The Advisor understands and agrees that during the performance of the services under this Contract, the Advisor may receive information from the TWDB that is confidential and not subject to disclosure under state or federal law. The Advisor agrees not to release such confidential information to third parties and to use it only for the purpose of performing the work under this Contract. TWDB will appropriately mark confidential information provided to the Advisor and the Advisor shall return such confidential information when it is no longer required to perform the services or at the termination of this Contract, whichever is sooner.

(b) The Advisor may mark information provided to TWDB as proprietary or confidential. Such marking shall be obviously visible and clearly show what information the Advisor claims is proprietary and confidential. The Advisor understands that documents generated in the course of representation of a governmental body may be subject to the Texas Public Information Act, Government Code, chapter 552.

4.06. Ownership of Materials
(a) All materials prepared by the Advisor pursuant exclusively to this Agreement shall be the property of the TWDB. Upon expiration or termination of the Agreement for any reason, the Advisor shall immediately transfer to the TWDB all information and associated work products prepared by the Advisor or otherwise prepared for the TWDB pursuant to

this Agreement, in whatever form such information and work product may exist, to the extent requested by the TWDB. The TWDB is granted the unrestricted right to use, copy, modify, prepare derivative works from, publish and distribute, at no additional cost to the TWDB, in any manner the TWDB deems appropriate in its sole discretion, any component of the information, work products, or other deliverable made the subject of this Agreement.

(b) Notwithstanding the foregoing, the Advisor shall retain ownership of its proprietary State Water Implementation Revenue Fund for Texas financial model (SWIRFT Model). Upon the termination of the Advisor's engagement as financial advisor to TWDB for any or no reason, the Advisor agrees to license such SWIRFT Model to TWDB pursuant to a licensing agreement that shall set forth terms and conditions to be mutually agreed upon by the Advisor and the TWDB.

4.07. Entire Agreement.
This Agreement represents the entire agreement between the TWDB and the Advisor and may not be amended or modified except in writing signed by all parties.

IN WITNESS THEREOF, the parties hereto have executed this Agreement as of the day and year herein above written.

TEXAS WATER DEVELOPMENT BOARD

By: _____

Jeff Walker
Executive Administrator

Date: 5·15·17

FIRSTSOUTHWEST, A DIVISION OF HILLTOP SECURITIES, INC.

By: Anne Burger Entrekin

Anne Burger Entrekin
Regional Managing Director

Date: May 11, 2017

EXHIBIT A
Ongoing Non-transaction Services

1. Assist in the formulation of Financial and Debt Policies and Administrative Procedures for TWDB financial programs as requested.

2. Upon request, develop or review a customized Excel cash flow model for the Water Development Fund and/or State Revolving Fund programs, and default analyses relating to State Revolving Fund programs.

3. Upon request, analyze or review Excel models for a program's funding capacity.

4. Provide debt service schedules reflecting varying interest rates, issue sizes, and maturity structures as needed for related fiscal planning.

5. Attend meetings with staff, consultants and other professionals related to the TWDB and its programs, as requested.

6. Undertake other financial planning and policy development assignments requested by the program managers regarding bond and other financings, and financial policy including cash management issues and related fiscal policies and programs.

7. Assist the TWDB and program managers in preparing financial presentations for public hearings and/or referenda.

8. Advise on changes in the market, disclosure and regulatory requirements as necessary.

9. Advise on alternative financing or program structures.

10. Advise as necessary regarding inquiries from the Internal Revenue Service or external auditors.

11. Notify the TWDB of rating changes on its outstanding bonds within five (5) business days of the change.

12. Provide other special financial services as requested by the TWDB's Executive Administrator, Chief Financial Officer, Development Fund Manager, General Counsel, Debt and Portfolio Manager, or other person with written authorization from the Executive Administrator to request such services, a copy of which shall be delivered to the Advisor.

EXHIBIT B
Duties of The Advisor in Connection with a Debt Transaction including new money issuance, refunding, calls and defeasance activities

The Advisor is responsible for all duties and services necessary or advisable to facilitate the issuance and administration of bonds and other obligations, including but not limited to items listed below.

1. Advise the staff of new or changing developments and regulations in the municipal bond industry.

2. Monitor and advise on refunding opportunities, debt defeasance, and other financial products that would help lower the cost of borrowing money, and provide updates on market conditions and indicative pricing levels.

3. Provide recommendations on the marketing of bonds including methods for enhancing the rating, advice on bond covenants, pledge of revenue, flow of funds, legal coverage requirements, municipal bond market trends, and timing of issuances.

4. Provide advice and assistance on the requirements of various financing structures, the principal amount of bonds to be sold, maturity schedules, call and put features, premiums/discounts, basis of awards and types of sales.

5. Assist with the analysis and document preparation for the defeasance or redemption of bonds.

6. Provide advice concerning the need for credit enhancement and assist in the negotiations regarding such.

7. Prepare a distribution list and timeline for to include identification of tasks to be completed and those responsible, as well as critical events and deadlines, for each financing undertaken.

8. Prepare preliminary and final official statements and other offering documents as applicable to fully comply with all disclosure rules and requirements, as billed separately in Section 3.02.

9. Attend executive staff and board meetings, presenting information concerning issuance as requested.

10. Assist in making presentations and required submissions and obtaining approval of the Bond Review Board, the Legislative Budget Board, and any other State entity with jurisdiction concerning the issuance of bonds by the TWDB.

11. Coordinate bond ratings for any proposed issuance and participate in the preparation of information required for submission to the bond rating agencies.

12. Monitor and assist in the negotiation of all fees and expenses incurred in connection with the issuance of the bonds.

13. Advise, inform and assist with the issuance's due diligence conference call.

14. Provide guidance during pre-pricing and pricing negotiations with underwriters.

15. Provide advice and support regarding the selection and bidding on legally permissible investments.

16. Arrange for delivery of bonds and coordinate with bond counsel and registrar; oversee bond closings with successful bidder/senior underwriter, paying agent registrar, trustee, bond counsel, disclosure counsel, verification agent, and City staff, including instructions for closing, and arrange for printing and mailing of final offering documents with printer.

17. Assist in closing and post-closing duties, including the development of closing memoranda (or "memorandums").

18. Review the post-issuance Board summary memo, Board transaction summary presentation, and the final pricing book provided by the underwriters. Provide a debt schedule for the issue that includes, at a minimum, principal and interest requirements, and the true interest cost.

19. Advise as requested with continuing disclosure of financial information and operating data pursuant to all Security and Exchange Commission rules.

20. Maintain records of TWDB's outstanding bonds and payments made to facilitate validation of debt schedules.

21. Provide advice regarding the efficient ongoing management of TWDB's loan and debt portfolios to minimize administrative effort and cost of funds.

22. Assist in the evaluation of unsolicited proposals from underwriters regarding the use of new financial products or new methods of structuring debt.

23. Provide information on questions and issues posed by TWDB, as requested, on an ongoing basis.

If the transaction is competitive, the services of the Advisor will be modified to reflect that process.