



**COMMISSIONERS COURT
COMMUNICATION**

COURT ORDER NUMBER _____
PAGE 1 OF 21
DATE: 10/15/2024

**SUBJECT: CONSIDERATION OF CONTRACT FOR ARBITRAGE REBATE
COMPLIANCE SERVICES - RFQ NO. F2024080 - FINANCIAL ADVISORY
SERVICES - COUNTY ADMINISTRATOR'S OFFICE - HILLTOP
SECURITIES, INC.**

***** CONSENT AGENDA *****

COMMISSIONERS COURT ACTION REQUESTED

It is requested that the Commissioners Court consider a contract for Arbitrage Rebate Compliance Services for RFQ No. F2024080, Financial Advisory Services, for the County Administrator's Office, with Hilltop Securities, Inc.

BACKGROUND

On August 6, 2024, the Commissioners Court, through Court Order #143584, granted permission to conduct negotiations under RFQ No. F2024080, Financial Advisory Services, for the County Administrator's Office, with Hilltop Securities, Inc. per contract terms.

The purpose of this agreement is to engage Hilltop Securities Asset Management, LLC. (HSAM), to provide arbitrage rebate compliance calculations and investment management services. The Internal Revenue Service (IRS) requires all issuers of tax-exempt debt to comply with its rebate rules related to investment earnings on bond proceeds. In addition, HSAM will advise on the investment of bond proceeds and other funds, as requested.

The term of the contract is sixty (60) months, effective October 15, 2024.

The contract is attached for approval and signature. The Criminal District Attorney's Office reviewed this contract as to form.

FISCAL IMPACT

Funding for Investment Advisory Services is available in account 10000-2025 General Fund / 114010000 Non-Departmental / 569011 Professional Service.

Funding for Arbitrage Rebate Services is available in the following accounts:

45100-2025 Non-Dept Capital/1140100000 Non-Departmental/Financial Contracts

47600-2025 2006 Bond Election - Buildings/1140100000 Non-Departmental/Financial Contracts

47700-2025 2006 Bond Election - Transportation/1140100000 Non-Departmental/Financial Contracts

47800-2025 2021 Bond Election - Transportation/1140100000 Non-Departmental/Financial Contracts
Services

SUBMITTED BY	Purchasing	PREPARED BY:	James Bocks, CPPB APPROVED BY: Christopher Lax, CPSM, CPSD, CPCP
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**AGREEMENT FOR ARBITRAGE REBATE COMPLIANCE SERVICES
AND INVESTMENT ADVISORY SERVICES**

This Agreement for Investment Advisory and Arbitrage Rebate Compliance Services (the “Agreement”) is made and entered into by and between **Tarrant County, Texas** (the “Issuer”) and Hilltop Securities Asset Management, LLC (“HSAM”), and is dated, and shall be effective as of, the date executed by the Issuer as set forth on the signature page hereof (the “Effective Date”).

WITNESSETH:

WHEREAS, the Issuer, in connection with the sale and delivery of certain bonds, notes, certificates, or other tax-exempt obligations, will have the need to determine to what extent, if any, it will be required to rebate certain investment earnings from the proceeds of such obligations to the United States of America pursuant to the provisions of Section 148(f)(2) of the Internal Revenue Code of 1986, as amended; and

WHEREAS, the Issuer will have under consideration from time to time the investment of certain bond proceeds as well as other available County funds (“Funds”); and

WHEREAS, the Issuer desires to obtain the professional services of HSAM as a registered investment advisor to advise the Issuer regarding arbitrage rebate compliance obligations and the investment of bond proceeds Funds; and

WHEREAS, HSAM is willing to provide its professional services and its facilities as a registered investment advisor in connection with the Issuer’s arbitrage rebate compliance obligations and the investment of Funds, all as more fully described herein, during the period in which this Agreement shall be effective.

NOW, THEREFORE, the Issuer and HSAM, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, do hereby agree as follows:

**SECTION I
ARBITRAGE REBATE COMPLIANCE SERVICES**

Scope of Arbitrage Rebate Compliance Services. HSAM shall provide the requested arbitrage rebate compliance services pursuant to the terms and conditions set forth in **Appendix A**, attached hereto and incorporated herein by this reference.

**SECTION II
INVESTMENT ADVISORY SERVICES**

Scope of Investment Advisory Services. HSAM shall provide the requested investment advisory services pursuant to the terms and conditions set forth in **Appendix B**, attached hereto and incorporated by this reference.

SECTION III

A. **Term of Agreement.** This Agreement shall become effective as of the date executed by the Issuer as set forth on the signature page hereof and shall continue for an initial two-year period, after which time this Agreement may be renewed for additional one-year periods upon approval by both parties in compliance with the Texas Public Funds Investment Act.

B. **Termination.** This Agreement may be terminated in part or in whole, with or without cause by the Issuer or HSAM upon the giving of at least thirty (30) days' prior written notice to the other party of its intention to terminate, specifying in such notice the effective date of such termination. In the event of such termination, it is understood and agreed that only the amounts due HSAM for services provided and expenses, if any, incurred to the date of termination will be due and payable. No penalty will be assessed for termination of this Agreement.

C. **Post Termination Obligations.** In the event this Agreement is terminated, all records provided to HSAM with respect to the investment of monies by the Issuer shall be returned to the Issuer as soon as practicable following written request by Issuer, provided that such records have not been destroyed pursuant to HSAM's internal document retention policy. In addition, the parties hereto agree that, upon termination of this Agreement, HSAM shall have no continuing obligation to the Issuer regarding any arbitrage rebate related services, the investment of Funds or performing any other services contemplated herein, regardless of whether such services have previously been undertaken, completed, or performed.

SECTION III COMPENSATION, EXPENSES, LIABILITY AND OTHER FINANCIAL MATTERS

A. **Compensation.** The fees due to HSAM for the Arbitrage Rebate Compliance Services and the Investment Advisory Services shall be as provided in **Appendix C**, attached hereto and incorporated by this reference.

B. **Expenses.** HSAM shall be entitled to reimbursement of expenses, if any, incurred in connection with any services provided hereunder as set forth in Appendix C.

C. **No Custody of Issuer Funds.** This engagement does not contemplate that HSAM receive deposit of or maintain custody of the Issuer's Funds unless otherwise provided in Section II of the Agreement.

D. **Limitation on Liability.** In the absence of willful misconduct, bad faith, gross negligence or reckless disregard of obligations or duties hereunder on the part of HSAM or any of its associated persons, HSAM and its associated persons shall have no liability to the Issuer for any act or omission in the course of, or connected with, rendering services hereunder or for any error of judgment, mistake of law, or any loss arising out of any structured financial product or any other investment.

SECTION IV MISCELLANEOUS

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

B. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Issuer and HSAM, their respective successors and assigns; provided however, neither party hereto may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party.

C. Entire Agreement. This instrument, including all appendices hereto, 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.

D. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Each Party may execute this Agreement on a facsimile or PDF hereof. In addition, facsimile or PDF signatures of either Party shall be valid and binding, and delivery of a facsimile or PDF signature by either Party shall constitute due execution and delivery of this Agreement.

E. Waiver of Terms. HSAM's failure to insist at any time upon strict compliance with any terms of this Agreement shall not constitute a waiver of any of HSAM's rights as described herein.

F. Does Not Boycott Israel. To the extent required by Texas Government Code Section 2271.002, HSAM represents and warrants that it does not currently boycott Israel, or will boycott Israel during the term of this Agreement. HSAM agrees to take all necessary steps to ensure this certification remains true at all times during the term of Agreement. For purposes of this provision, "Boycott Israel" shall have the meaning assigned by Texas Government Code Section 808.001(1).

G. Boycott of Energy Companies Prohibited. In compliance with Section 2274.002 of the Texas Government Code, HSAM verifies that it does not boycott energy companies and will not boycott energy companies during the term of this Agreement. "Boycott energy company" is defined in Texas Government Code Section 809.001(1) and means, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company: (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by subsection (A).

H. Boycott of Firearm Entities or Firearm Trade Associations Prohibited. In compliance with Section 2274.002 of the Texas Government Code, HSAM verifies that it does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and will not discriminate during the term of the Agreement against a firearm entity or firearm trade association. "Discriminate against a firearm entity or firearm trade association" is defined in Section 2274.001(3) and means, with respect to the entity or association, to: (i) refuse to engage in the trade of any goods or services with the entity or association based solely on its status as a firearm entity or firearm trade association; (ii) refrain from continuing an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; or (iii) terminate an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; the term does not include: (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories; and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship: (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency; or (bb) for any traditional business reason that

is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association.

I. Compliance With Laws. In providing the services required by this Agreement, HSAM must observe and comply with all applicable federal, state, and local statutes, ordinances, rules, and regulations, including without limitation, workers' compensation laws, minimum and maximum salary and wage statutes and regulations, and non-discrimination laws and regulations. HSAM shall be responsible for ensuring its compliance with any laws and regulations applicable to its business, including maintaining any necessary licenses and permits.

**HILLTOP SECURITIES
ASSET MANAGEMENT, LLC**

TARRANT COUNTY, TEXAS

By: _____
David Medanich
President

By: _____
Tim O'Hare
County Judge

Date: _____

APPROVED AS TO FORM:

Criminal District Attorney's Office*

*By law, the Criminal District Attorney's Office may only approve contracts for its clients. We reviewed this document as to form from our client's legal perspective. Other parties may not rely on this approval. Instead those parties should seek contract review from independent counsel.

APPENDIX A

This Appendix A sets out the scope of the Arbitrage Rebate Compliance Services to be performed by HSAM pursuant to the Agreement, subject to the terms and conditions set forth therein.

AGREEMENT FOR

ARBITRAGE REBATE COMPLIANCE SERVICES
BETWEEN
TARRANT COUNTY, TEXAS
(Hereinafter Referred to as the "ISSUER")
AND
HILLTOP SECURITIES ASSET MANAGEMENT, LLC
(Hereinafter Referred to as "HSAM")

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

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

Covenants of Hilltop Securities Asset Management

2. HSAM agrees to provide our professional services in determining the Arbitrage Amount with regard to the Obligations. The Issuer will assume and pay the fee of HSAM as such fee is set out in Appendix A attached hereto. HSAM shall not be responsible for any expenses incurred on behalf of Issuer in connection with providing such professional services, including any costs incident to litigation, mandamus action, test case or other similar legal actions.
3. HSAM agrees to perform the following duties in connection with providing arbitrage rebate compliance services:
 - a. To cooperate fully with the Issuer in reviewing the schedule of investments made by the Issuer with (i) proceeds from the Obligations, and (ii) proceeds of other funds of the Issuer which, under Treasury Regulations Section 1.148, or any successor regulations thereto, are subject to the rebate requirements of the Code;
 - b. To perform, or cause to be performed, consistent with the Code and the regulations promulgated thereunder, calculations to determine the Arbitrage Amount under Section 148(f)(2) of the Code; and
 - c. To provide a report to the Issuer specifying the Arbitrage Amount based upon the investment schedule, the calculations of bond yield and investment yield, and other information deemed relevant by HSAM. In undertaking to provide the services set forth in paragraph 2 and this paragraph 3, HSAM does not assume any responsibility for any record

retention requirements which the Issuer may have under the Code or other applicable laws, it being understood that the Issuer shall remain responsible for compliance with any such record retention requirements. HSAM shall maintain Issuer records and work product pursuant to its own internal document retention policy.

Covenants of the Issuer

4. In connection with the performance of the aforesaid duties, the Issuer agrees to the following:
 - a. The fees due to HSAM in providing arbitrage rebate compliance services shall be calculated in accordance with Appendix A attached hereto. The fees will be payable upon delivery of the report prepared by HSAM for each issue of Obligations during the term of this Agreement.
 - b. The Issuer will provide HSAM all information regarding the issuance of the Obligations and the investment of the proceeds therefrom, and any other information necessary in connection with calculating the Arbitrage Amount. HSAM will rely on the information supplied by the Issuer without inquiry, it being understood that HSAM will not conduct an audit or take any other steps to verify the accuracy or authenticity of the information provided by the Issuer.
 - c. The Issuer will notify HSAM in writing of the retirement, prior to the scheduled maturity, of any Obligations included under the scope of this Agreement within 30 days of such retirement. This notification is required to provide sufficient time to comply with Treasury Regulations Section 1.148-3(g) which requires final payment of any Arbitrage Amount within 60 days of the final retirement of the Obligations. In the event the Issuer fails to notify HSAM in a timely manner as provided hereinabove, HSAM shall have no further obligation or responsibility to provide any services under this Agreement with respect to such retired Obligations.
5. In providing the services set forth in this Agreement, it is agreed that HSAM shall not incur any liability for any error of judgment made in good faith by a responsible officer or officers thereof and, except to the limited extent set forth in this paragraph, shall not incur any liability for any other errors or omissions, unless it shall be proved that such error or omission was a result of the gross negligence or willful misconduct of said officer or officers. In the event a payment is assessed by the Internal Revenue Service due to an error by HSAM, the Issuer will be responsible for paying the correct Arbitrage Amount and HSAM's liability shall not exceed the amount of any penalty or interest imposed on the Arbitrage Amount as a result of such error. Additionally, it is understood and agreed that HSAM shall incur no liability for any errors, omissions, or failure to make a timely payment in connection with any IRS Computation Date calculations occurring prior to the effective date of the Initial Agreement with the Issuer, even if the error is discovered after the date of HSAM's engagement.

No Coordination with Private Activity Regulations

6. The purpose of HSAM's engagement is to determine the Arbitrage Amount pursuant to Section 148(f)(2) of the Code. Sections 141-147 of the Code and the related Treasury Regulations set forth requirements with respect to the amount of obligation proceeds that may be used for the benefit of a private person or entity. Treasury Regulations Section 1.141-6(a) requires that allocations of expenditures of obligation proceeds for purposes of computing the Arbitrage Amount must be the

same as the allocations of expenditures used to test the private use of projects financed with proceeds of the Obligations.

7. For purposes of calculating the Arbitrage Amount, our calculations assume that the allocation of the expenditures of Obligation proceeds as provided to us are the same for both purposes of Sections 141-147 and Section 148 of the Code. The scope of this engagement does not include procedures to analyze the private use limitations associated with the Obligations.

Obligations Issued Subsequent to Initial Agreement

8. The services contracted for under this Agreement will automatically extend to any additional Obligations (including financing lease obligations) issued during the term of this Agreement if such Obligations are subject to the rebate requirements under Section 148(f)(2) of the Code. In connection with the issuance of additional Obligations, the Issuer agrees to the following:
 - a. The Issuer will notify or cause the notification, in writing, to HSAM of any tax-exempt financing (including financing lease obligations) issued by the Issuer during any calendar year of this Agreement, and will provide HSAM with such information regarding such Obligations as HSAM may request in connection with its performance of the arbitrage rebate services contracted for hereunder. If such notice is not provided to HSAM with regard to a particular Obligation, HSAM shall have no obligation to provide any services hereunder with respect to such Obligation.
 - b. At the option of the Issuer, any additional Obligations to be issued subsequent to the execution of this Agreement may be excluded from the services provided for herein. In order to exclude an issue, the Issuer must notify HSAM in writing of their intent to exclude any specific Obligations from the scope of this Agreement, which exclusion shall be permanent for the full life of the Obligations; and after receipt of such notice, HSAM shall have no obligation to provide any services under this Agreement with respect to such excluded Obligations.

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APPENDIX B

This Appendix B sets out the scope of the Investment Advisory Services to be performed by HSAM pursuant to the Agreement, subject to the terms and conditions set forth therein.

AGREEMENT FOR

**INVESTMENT ADVISORY SERVICES
BY AND BETWEEN
TARRANT COUNTY, TEXAS
("Hereinafter referred to as the "ISSUER")**

**AND
HILLTOP SECURITIES ASSET MANAGEMENT, LLC
(Hereinafter referred to as "HSAM")**

I. Terms and Conditions

This Agreement sets forth the terms and conditions governing the relationship of Tarrant County, Texas (the "Issuer") to Hilltop Securities Asset Management, LLC ("HSAM") with respect to securities and money which the Issuer holds, from time to time, and which are available for investment or reinvestment (the 'Portfolio'). This Agreement shall apply to any and all investable funds and securities in the Issuer's Portfolio during the period in which this Agreement shall be in effect.

II. Investment Advisory Services

A. **Services.** With respect to the Portfolio, HSAM will endeavor to provide investment advisory services and cause to be executed such trades as determined in accordance with Section II. B below. HSAM agrees to provide professional services and its facilities and to direct and coordinate all programs of investing as may be considered and authorized by the Issuer and to assume and pay those expenses incurred by HSAM in connection with the execution of investment decisions. Specifically, HSAM agrees to perform the following duties:

1. Review the Issuer's cash flow projections;
2. Recommend appropriate strategies based upon cash flow requirements;
3. Advise the Issuer on current market conditions and other general information;
4. Analyze risk/return relationships between various investment alternatives;
5. Attend meetings of the governing body of the Issuer, its staff, representatives, or committees as requested by the Issuer, when the subject of investments is to be discussed;
6. Assist in the selection of investment securities and, as directed by the Issuer, cause the transactions to be executed;
7. Advise on the investment of the Portfolio in a manner consistent with the Investment Policy, the proceedings of the Issuer authorizing the investment of the bond funds and applicable state and federal rules and regulations;
8. Promptly send (or cause to be sent) trade confirmations to the Issuer; and
9. Assist the Issuer in creating quarterly investment reports as required by written investment

policy, stated procedures and / or state law.

- B. **Scope of Investment Decisions.** In performing the services listed in Section II. A above, HSAM shall not have discretionary authority and, accordingly, shall obtain approval from the Issuer for the purchase or sale of securities prior to execution. The Issuer hereby represents and acknowledges that its written investment policy and investment strategy includes its investment objectives and all portfolio limitations and restrictions, including, without limitation, acceptable levels of investment risk. The Issuer also agrees to notify HSAM in writing ten business days in advance of the implementation of any changes in the Issuer's investment objectives, investment limitations, and/or financial condition.
- C. **Standard of Care.** In the administration of its duties, HSAM shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, not for speculation, but for investment, considering, with regard to the entire Portfolio rather than any particular investment or security, the probable safety of capital and the probable income to be derived.
- D. **Settlement of Securities.** The purchase of individual securities shall be executed "delivery versus payment" (DVP) through the Issuer's safekeeping agent. By so doing, Issuer's funds will be released when and if the Issuer has received, through the safekeeping agent, the designated securities purchased.
- E. **Hold Harmless.** The Issuer hereby agrees to indemnify and hold harmless HSAM, as well as any of its officers, directors, shareholders, affiliates, general partners, employees, agents and trustees, from (i) charges incurred by HSAM on the Issuer's behalf and (ii) for any and all market losses arising with respect to the Portfolio.
- F. **Return on the Portfolio.** The Issuer expressly affirms and acknowledges that HSAM has not promised or guaranteed any stated or specified return on, or performance of, the Issuer's investment portfolio.

III. Representations

- A. HSAM represents that it is registered as an investment advisor under the Investment Advisers Act of 1940 (the "**Advisers Act**") and is authorized and empowered to enter into this Agreement.
- B. The Issuer represents and confirms that (1) the Issuer has full power and authority to enter into this agreement; (2) the terms hereof do not violate any obligation by which the Issuer is bound, whether arising by contract, operation of law, or otherwise; and (3) this Agreement has been duly authorized and will be binding on Issuer according to its terms.
- C. The Issuer agrees to:
 - 1. Provide HSAM with the schedule of estimated cash flow requirements related to the Portfolio, and promptly notify HSAM as to any changes in such estimated cash flow schedule;
 - 2. Provide HSAM, not less than monthly, with all relevant custodian, safekeeping and bank

statements relating to all of the Portfolio; and

3. Allow HSAM to rely upon all information regarding schedules or other information pertaining to the Portfolio as provided to it by the Issuer as being true and accurate. HSAM shall have no responsibility to verify, through audit or investigation, the accuracy or completeness of such information and HSAM will not undertake to authenticate any such information.
- D. The Issuer recognizes that there may be loss or depreciation of the current liquidation, immediate and ongoing value of any investment due to the fluctuation of market values. The Issuer represents that no party to this Agreement has made any guarantee, either oral or written, that the Issuer's investment objectives will be achieved. HSAM shall not be liable for any error in judgment and/or for any investment losses in the Portfolio in the absence of willful malfeasance, gross negligence, or violation of applicable law. Nothing in this Agreement shall constitute a waiver or limitation of any rights that the Issuer may have under applicable state or federal law including without limitation, the state and federal securities laws.
 - E. Issuer represents and acknowledges that Issuer has reviewed and understands the risk factors and fees associated with the Portfolio.

IV. Fees and Costs of HSAM

As consideration for the services provided by HSAM under this Agreement, HSAM will be entitled to a fee (the "**Advisor Fee**") determined in accordance with the schedule set forth in the fee schedule ("**Schedule A**"), attached hereto as **Appendix C**, and incorporated herein for all purposes and is being delivered to the Issuer simultaneously with the execution, and as an integral part, of this Agreement. The obligation of HSAM to pay or incur expenses shall not include any costs incident to litigation, mandamus action, regulatory investigation, test case or other similar legal actions.

V. Reporting and Account Statements

HSAM will deliver or cause to be delivered to the Issuer confirmation of transactions and/or periodic statements for the Portfolio as set forth in this Agreement. HSAM will also provide the Issuer with an annual valuation of the Issuer's Portfolio and any additional statements that may be required by applicable law, including the reporting provisions of the Public Funds Investment Act, or other applicable state law, with respect to transactions effected under this Agreement.

VI. Other Services

The investment advisory services provided hereunder by HSAM to the Issuer are exclusive of any other services that HSAM may provide to the Issuer.

VII. Execution of Investment Transactions

- A. **Affiliated Broker.** HSAM is affiliated through common ownership and control with Hilltop Securities ("**Hilltop**"), a registered broker/dealer with the Financial Industry Regulatory Authority. ("**FINRA**"), the U.S. Securities and Exchange Commission ("**SEC**"), and various state and territorial regulatory authorities. Issuer hereby authorizes HSAM to effect

transactions for the Portfolio by execution through Hilltop. Where transactions are effected through Hilltop, Hilltop may act on an agency or principal basis to the extent permitted by law. Pursuant to Rule 206(3) of the Advisers Act, HSAM will obtain the Issuer's consent on each investment transaction to allow Hilltop to act as a principal in acquiring a security to facilitate a trade. Fees for advisory services will be billed separately in accordance with the terms of this Agreement.

- B. **Bundling of Investment Transactions.** Transactions for each Issuer account generally will be effected independently unless HSAM decides to purchase or sell the same securities for several Issuers at approximately the same time. HSAM may (but is not obligated to) combine or "batch" such orders to obtain best execution. Under this procedure, transactions will be averaged as to price and will be allocated among HSAM Issuers included in the "batch" group in proportion to the purchase and sale orders placed for each Issuer in batch transactions.

VIII. Selection of Brokers

The Issuer agrees that when HSAM effects or places orders for the execution of transactions for the Portfolio (other than situations where the Issuer specifically instructs otherwise in writing), HSAM may allocate such transactions to such brokers and dealers for execution on such markets, at such prices as in the judgment of HSAM will be in the best interests of the Issuer, taking into consideration, in the selection of such brokers and dealers, the available prices and rates of brokerage commissions and other relevant factors, without having to demonstrate that such factors are of a direct benefit to the Issuer. Subject to the foregoing, HSAM will arrange for the execution of securities transactions for the Portfolio through brokers or dealers that HSAM reasonably believes will provide best execution.

IX. Non-Exclusive Relationship

The Issuer hereby acknowledges that HSAM's services under this Agreement are nonexclusive, and that HSAM shall be free to render the same or similar services to other Issuers. The Issuer further acknowledges that HSAM's advice is specific to each individual Issuer's investment objectives, limitations and financial condition. Therefore HSAM, in the performance of its investment advisory duties, may give advice to, and take action on behalf of, other Issuers that may differ from the advice given, or the timing and nature of the action taken, with respect to the Issuer's Portfolio. Nothing in this Agreement shall be deemed to impose upon HSAM any obligation to purchase or sell, or to recommend for purchase or sale for the Issuer's Portfolio, any security that HSAM or its affiliates may purchase or sell, for their own account or for the accounts of any other Issuer if, at the sole discretion of HSAM, it is for any reason undesirable or impractical to take such action or make such recommendation for the Issuer's Portfolio. The Issuer also acknowledges that HSAM has varying fee structures and arrangements with other Issuers and may charge their Issuers different fees, which may be higher or lower than the fees charged with respect to the Issuer's Portfolio for similar services.

X. Instructions from the Issuer

HSAM may rely on all instructions (whether oral or written) given by the Issuer or its agents that HSAM believes to be genuine. HSAM's records of such a transaction will be conclusive as to the content of any instruction. Instructions may be given to HSAM by any officer or agent authorized by (1) the investment policy; (2) a duly executed "Authorization to Trade Public Funds" form provided by HSAM; or (3) a resolution of the governing body of Issuer. HSAM may rely on such authorization until written notice to the contrary is delivered to HSAM by the Issuer; and if the Issuer

does not deliver appropriate authorizing documentation, HSAM may accept instructions from any person reasonably believed by HSAM to be an officer of the Issuer. The Issuer agrees to hold harmless, and to indemnify and defend, HSAM, as well as any of its officers, directors, shareholders, affiliates, general partners, employees, agents, and trustees, against any and all losses sustained by HSAM resulting from or by reason of any and all claims, liabilities, losses, damages, charges, costs, fees, and expenses (including, without limitation, attorney fees and costs, including fees of attorneys who may be HSAM employees or employees of HSAM's affiliates) arising out of or in connection with any action taken in reliance upon any instruction or inquiry believed genuine.

XI. Transactions Subject to Industry Regulations and Standards

All transactions shall be subject to the regulations of all applicable government authorities and self-regulatory agencies including, but not limited to, the constitutions and rules of the clearing agent, exchange, or market where executed. The Issuer understands that HSAM is registered as an investment advisor under the Advisers Act, and as such is obligated to comply with all applicable laws and regulations, including those of the SEC and other regulatory and self-regulatory agencies, and agrees that HSAM shall not be liable to the Issuer as a result of any action taken by HSAM to comply with any ruling, interpretation, or directive of such organizations. Further, Issuer understands and agrees that HSAM will not accept any instructions from Issuer which would require a violation of any such rules or regulations.

XII. Custodial Arrangements

Custody of Portfolio assets will be maintained with a custodian selected by Issuer and identified to HSAM (the "Custodian"). HSAM will not have custody of any assets in the Portfolio. Issuer will be solely responsible for paying all fees or charges of the Custodian. Issuer authorizes HSAM to give Custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the Portfolio.

XIII. Miscellaneous

- A. **Notices to the Issuer.** All written communication to the Issuer shall be sent to the Issuer's address set forth on the signature page hereof or as directed in writing to HSAM by the Issuer. Any notice, statement, or other communication mailed to the Issuer by HSAM in accordance with this section will be deemed to be given to the Issuer personally on the date it is so mailed, whether or not it is actually received by the Issuer.
- B. **Notices to HSAM.** Any notice, statement, or other communication from the Issuer to HSAM under this Agreement must be in written form and will be deemed to be given to HSAM upon actual receipt thereof by HSAM, whether such notice was mailed, personally delivered, or telecopied to:

Hilltop Securities Asset Management, LLC
2700 Via Fortuna, Suite 410
Austin, TX 78746
Attention: Scott McIntyre
Fax Number: (512) 481-2020
E-Mail: Scott.McIntyre@HilltopSecurities.com

- C. **Confidential Relationship.** All of the information and advice furnished by either party to the

other under this Agreement, including their respective agents and employees, will be treated as strictly confidential by each party and will not be disclosed to third parties under any circumstances except as required by law.

- D. **Limitations of Liability.** Federal and state securities laws impose liabilities under certain circumstances on persons who do not act in good faith and, therefore, nothing in this Agreement shall in any way constitute a waiver or limitation of any rights that the Issuer may have under federal and state securities laws.
- E. **Indemnity.** The Issuer will indemnify HSAM for any loss, liability, or expense (including attorney's fees) which HSAM may incur as a result of, or arising from, any claims asserted by any third party with respect to the Portfolio or the services rendered by HSAM under this Agreement, except in cases of gross negligence or willful misconduct by HSAM in managing the Issuer's Portfolio.
- F. **Inconsistent Provisions; Agreements.** If any provisions of this Agreement should become or be found to be inconsistent with laws, rules, or regulations of any government or regulatory body having jurisdiction over the subject matter herein, such provisions shall be deemed modified or rescinded in accordance with any such laws, rules, or regulations. To the extent that the provisions of this Agreement are inconsistent with the provisions of any account agreement or clearing agreement with HSAM or its clearing agent, as the case may be, then the terms of such account agreement or clearing agreement shall govern and such terms shall supersede the inconsistent terms herein.
- G. **Invalid Provisions.** If any provision or condition of this Agreement shall be held to be invalid or unenforceable by any Court, or regulatory or self-regulatory agency or body, such invalidity or unenforceability shall attach only to such provision or condition. The validity of the remaining provisions and conditions shall not be affected, and this Agreement shall be carried out as if any such invalid or unenforceable provision or condition were not contained herein.
- H. **Extraordinary Events.** Neither HSAM nor any of its officers, directors, shareholders, affiliates, general partners, employees, agents, or trustees shall be liable for losses caused directly or indirectly by government restrictions, exchange or market actions, suspensions of trading, wars, strikes, delays in the transmission of orders due to breakdown or failure of transmission or communication facilities, or any other causes beyond HSAM's reasonable control or anticipation.
- I. **Written Disclosure Statement.** Simultaneously with the execution of this Agreement, HSAM has delivered to the Issuer Part II of its Form ADV as filed with the SEC, or a similar disclosure document, as its brochure pursuant to Rule 204.3 of the Advisers Act. The Issuer's execution of this Agreement shall be deemed acknowledgment of receipt thereof.
- J. **Verification of Information.** The Issuer represents and warrants to HSAM that all information furnished to HSAM in connection with the opening of the Portfolio (and all documents supplied by the Issuer in this regard, including financial statements) are true, complete, and correct. HSAM is entitled to rely on this information until HSAM receives written notice of any change, which the Issuer agrees to furnish promptly should any material changes occur.

The remainder of this page is intentionally left blank.

APPENDIX C

FORM AND BASIS OF COMPENSATION

This Appendix C sets out the form and basis of compensation to HSAM for the Arbitrage Rebate Compliance Services provided under this Agreement as set forth in Appendix A and the form and basis of compensation to HSAM for the investment advisory services as set forth in Appendix B of the Agreement.

INVESTMENT ADVISORY SERVICES

The Issuer agrees to an asset-based annual fee of four (4) basis points (0.04% or 1/25th of 1%) calculated on the first \$250 million in average asset balance under management during the period. On all balances above \$250 million, the fee is reduced to two (2) basis points (1/50th of 1%). This fee will be billed in quarterly increments in arrears and calculated on the average month-end book value of the total Portfolio for the preceding three months, as reported on the monthly investment reports, excluding bank deposits held with the Issuer's depository bank.

The above fee includes all costs associated with investment management. Safekeeping and banking fees will remain the responsibility of the Issuer.

ARBITRAGE REBATE COMPLIANCE SERVICES

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

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

HSAM's fee for arbitrage rebate services is based upon a fixed Calculation Period fee per issue. The Calculation Period fee is charged based upon the number of Calculation Periods that proceeds exist subject to rebate from the delivery date of the issue to the Calculation Date.

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

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

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

Description	FEE
ANNUAL CALCULATION PERIOD FEE	\$1,600
COMPREHENSIVE ARBITRAGE COMPLIANCE SERVICES INCLUDE:	

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

EXPLANATION OF TERMS:

- a. **Bond Year:** A “Bond Year” is each 1-year period selected by the issuer. The first and last bond years may be short periods. If no bond year is selected, bonds years will end on each anniversary date of the issue and at final maturity.

- b. **Computation Date:** A “Computation Date” is a five bond year period no longer than five years after the issue date. Subsequent Computation Dates will be for a period not later than 5 years after the previous Computation Date and at final maturity of the issue.
- c. **Calculation Period:** A “Calculation Period” represents a one year period from the delivery date of the issue to the date that is one calendar year after the delivery date, and each subsequent one-year periods thereafter. Therefore, if a calculation is required that covers more than one Calculation Period, the Calculation Period fee is multiplied by the number of periods contained in the calculation being performed. If a calculation includes a portion of a Calculation Period, i.e., if the calculation includes 1 ½ Calculation Periods, then the base fee will be multiplied by 1.5.
- d. **Electronic Data Submission:** The data should be provided electronically in MS Excel or ASCII text file (comma delimited text preferred) with the date, description, dollar amount, and an activity code (if not in debit and credit format) on the same line in the file.
- e. **Variable/Floating Rate Bond Issues:** Special services are also required to perform the arbitrage rebate calculations for variable rate bonds. A bond is a variable rate bond if the interest rate paid on the bond is dependent upon an index which is subject to changes subsequent to the issuance of the bonds. The computational requirements of a variable rate issue are more complex than those of a fixed rate issue and, accordingly, require significantly more time to calculate. The additional complexity is primarily related to the computation of the bond yield, which must be calculated on a “bond year” basis. Additionally, the regulations provide certain flexibility in computing the bond yield and determining the arbitrage amount over the first IRS reporting period; consequently, increased calculations are required to determine which bond yield calculation produces the lowest arbitrage amount.
- f. **Commingled Fund Allocations:** By definition, a commingled fund is one that contains either proceeds of more than one bond issue or proceeds of a bond issue and non-bond proceeds (i.e., revenues) of \$25,000 or more. The arbitrage regulations, while permitting the commingling of funds, require that the proceeds of the bond issue(s) be “carved out” for purposes of determining the arbitrage amount. Additionally, interest earnings must be allocated to the portion of the commingled fund that represents proceeds of the issue(s) in question. Permitted “safe-harbor” methods (that is, methods that are outlined in the arbitrage regulations and, accordingly, cannot be questioned by the IRS under audit), exist for allocating expenditures and interest earnings to issues in a commingled fund. HSAM uses one of the applicable safe-harbor methods when doing these calculations.
- g. **Debt Service Reserve Funds:** The authorizing documents for many revenue bond issues require that a separate fund be established (the “Reserve Fund”) into which either bond proceeds or revenues are deposited in an amount equal to some designated level, such as average annual debt service on all parity bonds. This Reserve Fund is established for the benefit of the bondholders as additional security for payment on the debt. In most cases, the balance in the Reserve Fund remains stable throughout the life of the bond issue. Reserve Funds, whether funded with bond proceeds or revenues, must be included in all rebate calculations.
- h. **Debt Service Fund Calculations:** Issuers are required under the regulations to analyze the invested balances in their debt service funds annually to determine whether the fund depletes as required during the year and is, therefore, “bona fide” (i.e., potentially exempt from rebate in that year). It is not uncommon for surplus balances to develop in the debt service fund that services an issuer’s tax supported debt, particularly due to timing differences of when the funds were due to be collected versus when the funds were actually collected. HSAM performs this formal analysis of the debt service fund and, should it be determined that a surplus balance exists in the fund during a given

year, allocates the surplus balance among the various issues serviced by the fund in a manner that is acceptable under IRS review.

- i. **Earnings Test for Debt Service Funds:** Certain types of bond issues require an additional level of analysis for the debt service fund, even if the fund depletes as required under the regulations and is “bona fide.” For short-term, fixed rate issues, private activity issues, and variable rate issues, the regulations require that an “earnings test” be performed on a bona fide debt service fund to determine if the interest earnings reached \$100,000 during the year. In cases where the earnings reach or exceed the \$100,000 threshold, the entire fund (not just the surplus or residual portion) is subject to rebate.
- j. **Transferred Proceeds Calculations:** When a bond issue is refinanced (refunded) by another issue, special services relating to “transferred proceeds” calculations may need to be performed. Under the regulations, when proceeds of a refunding issue are used to retire principal of a prior issue, a pro-rata portion of the unspent proceeds of the prior issue becomes subject to rebate and/or yield restriction as transferred proceeds of the refunding issue. The refunding issue essentially “adopts” the unspent proceeds of the prior issue for purposes of the arbitrage calculations. These calculations are required under the regulations to ensure that issuers continue to exercise due diligence to complete the project(s) for which the prior bonds were issued.
- k. **Universal Cap:** Current regulations provide an overall limitation on the amount of gross proceeds allocable to an issue. Simply stated, the value of investments allocated to an issue cannot exceed the value of all outstanding bonds of the issue. For example, this situation can occur if an issuer encounters significant construction delays or enters into litigation with a contractor. It may take months or even years to resolve the problems and begin or resume spending the bond proceeds; however, during this time the debt service payments are still being paid, including any scheduled principal payments. Thus, it’s possible for the value of the investments purchased with bond proceeds to exceed the value of the bonds outstanding. In such cases, a “de-allocation” of proceeds may be required to comply with the limitation rules outlined in the regulations.
- l. **Yield Restriction Analysis/Yield Reduction Computations:** The IRS strongly encourages issuers to spend the proceeds of each bond issue as quickly as possible to achieve the governmental purpose for which the bonds were issued. Certain types of proceeds can qualify for a “temporary period,” during which time the proceeds may be invested at a yield higher than the yield on the bonds without jeopardizing the tax-exempt status of the issue. The most common temporary period is the three-year temporary period for capital project proceeds. After the end of the temporary period, the proceeds must be yield restricted or the issuer must remit the appropriate yield reduction payment when due. HSAM performs a comprehensive yield restriction analysis when appropriate for all issues having proceeds remaining at the end of the applicable temporary period and also calculates the amount of the yield reduction payment due to the IRS.



TAKINGS IMPACT ASSESSMENT CHECKLIST

Complete this form for any county action that involves the adoption of a regulation, policy, guideline, court resolution, or order.

Project/Regulation Name: Consideration of Contract - RFQ No. F2024080 - Financial Advisory Services - County Administrator's Office - Hilltop Securities, Inc.

County Department: PURCHASING

Contact Person: Melissa Lee, C.P.M., A.P.P.

Phone Number for Contact Person: (817) 884-3245

Type of TIA Performed: SHORT TIA or FULL TIA. Circle one after answering the questions in Sections II and III below.

I. Stated Purpose

Attach to this checklist an explanation of the purpose of the regulation, policy, guideline, court resolution, or order.

Note: The remainder of this Takings Impact Assessment Checklist should be completed in consultation with the Criminal District Attorney's Office.

II. Potential Effect on Private Real Property

1. Does the county action require a physical invasion, occupation, or dedication of real property?

Yes _____ No √

2. Does the county action limit or restrict a real property right, even partially, or temporarily?

Yes _____ No √

If you answered yes to either question, go to Section III. If you answered no to both, STOP HERE and circle SHORT TIA at the top of the form.



COMMISSIONERS COURT
COMMUNICATION

COURT ORDER NUMBER

PAGE 1 OF

DATE:

21

10/15/2024

SUBJECT: **CONSIDERATION OF CONTRACT FOR ARBITRAGE REBATE COMPLIANCE SERVICES - RFQ NO. F2024080 - FINANCIAL ADVISORY SERVICES - COUNTY ADMINISTRATOR'S OFFICE - HILLTOP SECURITIES, INC.**

***** CONSENT AGENDA *****

COMMISSIONERS COURT ACTION REQUESTED

It is requested that the Commissioners Court consider a contract for Arbitrage Rebate Compliance Services for RFQ No. F2024080, Financial Advisory Services, for the County Administrator's Office, with Hilltop Securities, Inc.

BACKGROUND

On August 6, 2024, the Commissioners Court, through Court Order #143584, granted permission to conduct negotiations under RFQ No. F2024080, Financial Advisory Services, for the County Administrator's Office, with Hilltop Securities, Inc. per contract terms.

The purpose of this agreement is to engage Hilltop Securities Asset Management, LLC. (HSAM), to provide arbitrage rebate compliance calculations and investment management services. The Internal Revenue Service (IRS) requires all issuers of tax-exempt debt to comply with its rebate rules related to investment earnings on bond proceeds. In addition, HSAM will advise on the investment of bond proceeds and other funds, as requested.

The term of the contract is sixty (60) months, effective October 15, 2024.

The contract is attached for approval and signature. The Criminal District Attorney's Office reviewed this contract as to form.

FISCAL IMPACT

Funding for Investment Advisory Services is available in account 10000-2025 General Fund / 114010000 Non-Departmental / 569011 Professional Service.

Funding for Arbitrage Rebate Services is available in the following accounts:

45100-2025 Non-Dept Capital/1140100000 Non-Departmental/Financial Contracts

47600-2025 2006 Bond Election - Buildings/1140100000 Non-Departmental/Financial Contracts

47700-2025 2006 Bond Election - Transportation/1140100000 Non-Departmental/Financial Contracts

47800-2025 2021 Bond Election - Transportation/1140100000 Non-Departmental/Financial Contracts
Services

SUBMITTED BY

Purchasing

PREPARED BY:

James Bocks, CPPB

APPROVED BY:

Christopher Lax, CPSM, CPSD, CPCP

**AGREEMENT FOR ARBITRAGE REBATE COMPLIANCE SERVICES
AND INVESTMENT ADVISORY SERVICES**

This Agreement for Investment Advisory and Arbitrage Rebate Compliance Services (the "Agreement") is made and entered into by and between **Tarrant County, Texas** (the "Issuer") and Hilltop Securities Asset Management, LLC ("HSAM"), and is dated, and shall be effective as of, the date executed by the Issuer as set forth on the signature page hereof (the "Effective Date").

WITNESSETH:

WHEREAS, the Issuer, in connection with the sale and delivery of certain bonds, notes, certificates, or other tax-exempt obligations, will have the need to determine to what extent, if any, it will be required to rebate certain investment earnings from the proceeds of such obligations to the United States of America pursuant to the provisions of Section 148(f)(2) of the Internal Revenue Code of 1986, as amended; and

WHEREAS, the Issuer will have under consideration from time to time the investment of certain bond proceeds as well as other available County funds ("Funds"); and

WHEREAS, the Issuer desires to obtain the professional services of HSAM as a registered investment advisor to advise the Issuer regarding arbitrage rebate compliance obligations and the investment of bond proceeds Funds; and

WHEREAS, HSAM is willing to provide its professional services and its facilities as a registered investment advisor in connection with the Issuer's arbitrage rebate compliance obligations and the investment of Funds, all as more fully described herein, during the period in which this Agreement shall be effective.

NOW, THEREFORE, the Issuer and HSAM, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, do hereby agree as follows:

**SECTION I
ARBITRAGE REBATE COMPLIANCE SERVICES**

Scope of Arbitrage Rebate Compliance Services. HSAM shall provide the requested arbitrage rebate compliance services pursuant to the terms and conditions set forth in **Appendix A**, attached hereto and incorporated herein by this reference.

**SECTION II
INVESTMENT ADVISORY SERVICES**

Scope of Investment Advisory Services. HSAM shall provide the requested investment advisory services pursuant to the terms and conditions set forth in **Appendix B**, attached hereto and incorporated by this reference.

SECTION III

A. **Term of Agreement.** This Agreement shall become effective as of the date executed by the Issuer as set forth on the signature page hereof and shall continue for an initial two-year period, after which time this Agreement may be renewed for additional one-year periods upon approval by both parties in compliance with the Texas Public Funds Investment Act.

B. **Termination.** This Agreement may be terminated in part or in whole, with or without cause by the Issuer or HSAM upon the giving of at least thirty (30) days' prior written notice to the other party of its intention to terminate, specifying in such notice the effective date of such termination. In the event of such termination, it is understood and agreed that only the amounts due HSAM for services provided and expenses, if any, incurred to the date of termination will be due and payable. No penalty will be assessed for termination of this Agreement.

C. **Post Termination Obligations.** In the event this Agreement is terminated, all records provided to HSAM with respect to the investment of monies by the Issuer shall be returned to the Issuer as soon as practicable following written request by Issuer, provided that such records have not been destroyed pursuant to HSAM's internal document retention policy. In addition, the parties hereto agree that, upon termination of this Agreement, HSAM shall have no continuing obligation to the Issuer regarding any arbitrage rebate related services, the investment of Funds or performing any other services contemplated herein, regardless of whether such services have previously been undertaken, completed, or performed.

SECTION III COMPENSATION, EXPENSES, LIABILITY AND OTHER FINANCIAL MATTERS

A. **Compensation.** The fees due to HSAM for the Arbitrage Rebate Compliance Services and the Investment Advisory Services shall be as provided in **Appendix C**, attached hereto and incorporated by this reference.

B. **Expenses.** HSAM shall be entitled to reimbursement of expenses, if any, incurred in connection with any services provided hereunder as set forth in Appendix C.

C. **No Custody of Issuer Funds.** This engagement does not contemplate that HSAM receive deposit of or maintain custody of the Issuer's Funds unless otherwise provided in Section II of the Agreement.

D. **Limitation on Liability.** In the absence of willful misconduct, bad faith, gross negligence or reckless disregard of obligations or duties hereunder on the part of HSAM or any of its associated persons, HSAM and its associated persons shall have no liability to the Issuer for any act or omission in the course of, or connected with, rendering services hereunder or for any error of judgment, mistake of law, or any loss arising out of any structured financial product or any other investment.

SECTION IV MISCELLANEOUS

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

B. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Issuer and HSAM, their respective successors and assigns; provided however, neither party hereto may assign or transfer any of its rights or obligations hereunder without the prior written consent of the other party.

C. Entire Agreement. This instrument, including all appendices hereto, 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.

D. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument. Each Party may execute this Agreement on a facsimile or PDF hereof. In addition, facsimile or PDF signatures of either Party shall be valid and binding, and delivery of a facsimile or PDF signature by either Party shall constitute due execution and delivery of this Agreement.

E. Waiver of Terms. HSAM's failure to insist at any time upon strict compliance with any terms of this Agreement shall not constitute a waiver of any of HSAM's rights as described herein.

F. Does Not Boycott Israel. To the extent required by Texas Government Code Section 2271.002, HSAM represents and warrants that it does not currently boycott Israel, or will boycott Israel during the term of this Agreement. HSAM agrees to take all necessary steps to ensure this certification remains true at all times during the term of Agreement. For purposes of this provision, "Boycott Israel" shall have the meaning assigned by Texas Government Code Section 808.001(1).

G. Boycott of Energy Companies Prohibited. In compliance with Section 2274.002 of the Texas Government Code, HSAM verifies that it does not boycott energy companies and will not boycott energy companies during the term of this Agreement. "Boycott energy company" is defined in Texas Government Code Section 809.001(1) and means, without an ordinary business purpose, refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations with a company because the company: (A) engages in the exploration, production, utilization, transportation, sale, or manufacturing of fossil fuel-based energy and does not commit or pledge to meet environmental standards beyond applicable federal and state law; or (B) does business with a company described by subsection (A).

H. Boycott of Firearm Entities or Firearm Trade Associations Prohibited. In compliance with Section 2274.002 of the Texas Government Code, HSAM verifies that it does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association; and will not discriminate during the term of the Agreement against a firearm entity or firearm trade association. "Discriminate against a firearm entity or firearm trade association" is defined in Section 2274.001(3) and means, with respect to the entity or association, to: (i) refuse to engage in the trade of any goods or services with the entity or association based solely on its status as a firearm entity or firearm trade association; (ii) refrain from continuing an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; or (iii) terminate an existing business relationship with the entity or association based solely on its status as a firearm entity or firearm trade association; the term does not include: (i) the established policies of a merchant, retail seller, or platform that restrict or prohibit the listing or selling of ammunition, firearms, or firearm accessories; and (ii) a company's refusal to engage in the trade of any goods or services, decision to refrain from continuing an existing business relationship, or decision to terminate an existing business relationship: (aa) to comply with federal, state, or local law, policy, or regulations or a directive by a regulatory agency; or (bb) for any traditional business reason that

is specific to the customer or potential customer and not based solely on an entity's or association's status as a firearm entity or firearm trade association.

I. Compliance With Laws. In providing the services required by this Agreement, HSAM must observe and comply with all applicable federal, state, and local statutes, ordinances, rules, and regulations, including without limitation, workers' compensation laws, minimum and maximum salary and wage statutes and regulations, and non-discrimination laws and regulations. HSAM shall be responsible for ensuring its compliance with any laws and regulations applicable to its business, including maintaining any necessary licenses and permits.

**HILLTOP SECURITIES
ASSET MANAGEMENT, LLC**

By: _____

David Medanich
President

TARRANT COUNTY, TEXAS

By: _____

Tim O'Hare
County Judge

Date: _____

APPROVED AS TO FORM:

ZK

Criminal District Attorney's Office*

*By law, the Criminal District Attorney's Office may only approve contracts for its clients. We reviewed this document as to form from our client's legal perspective. Other parties may not rely on this approval. Instead those parties should seek contract review from independent counsel.

APPENDIX A

This Appendix A sets out the scope of the Arbitrage Rebate Compliance Services to be performed by HSAM pursuant to the Agreement, subject to the terms and conditions set forth therein.

AGREEMENT FOR

ARBITRAGE REBATE COMPLIANCE SERVICES
BETWEEN
TARRANT COUNTY, TEXAS
(Hereinafter Referred to as the "ISSUER")
AND
HILLTOP SECURITIES ASSET MANAGEMENT, LLC
(Hereinafter Referred to as "HSAM")

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

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

Covenants of Hilltop Securities Asset Management

2. HSAM agrees to provide our professional services in determining the Arbitrage Amount with regard to the Obligations. The Issuer will assume and pay the fee of HSAM as such fee is set out in Appendix A attached hereto. HSAM shall not be responsible for any expenses incurred on behalf of Issuer in connection with providing such professional services, including any costs incident to litigation, mandamus action, test case or other similar legal actions.
3. HSAM agrees to perform the following duties in connection with providing arbitrage rebate compliance services:
 - a. To cooperate fully with the Issuer in reviewing the schedule of investments made by the Issuer with (i) proceeds from the Obligations, and (ii) proceeds of other funds of the Issuer which, under Treasury Regulations Section 1.148, or any successor regulations thereto, are subject to the rebate requirements of the Code;
 - b. To perform, or cause to be performed, consistent with the Code and the regulations promulgated thereunder, calculations to determine the Arbitrage Amount under Section 148(f)(2) of the Code; and
 - c. To provide a report to the Issuer specifying the Arbitrage Amount based upon the investment schedule, the calculations of bond yield and investment yield, and other information deemed relevant by HSAM. In undertaking to provide the services set forth in paragraph 2 and this paragraph 3, HSAM does not assume any responsibility for any record

retention requirements which the Issuer may have under the Code or other applicable laws, it being understood that the Issuer shall remain responsible for compliance with any such record retention requirements. HSAM shall maintain Issuer records and work product pursuant to its own internal document retention policy.

Covenants of the Issuer

4. In connection with the performance of the aforesaid duties, the Issuer agrees to the following:
 - a. The fees due to HSAM in providing arbitrage rebate compliance services shall be calculated in accordance with Appendix A attached hereto. The fees will be payable upon delivery of the report prepared by HSAM for each issue of Obligations during the term of this Agreement.
 - b. The Issuer will provide HSAM all information regarding the issuance of the Obligations and the investment of the proceeds therefrom, and any other information necessary in connection with calculating the Arbitrage Amount. HSAM will rely on the information supplied by the Issuer without inquiry, it being understood that HSAM will not conduct an audit or take any other steps to verify the accuracy or authenticity of the information provided by the Issuer.
 - c. The Issuer will notify HSAM in writing of the retirement, prior to the scheduled maturity, of any Obligations included under the scope of this Agreement within 30 days of such retirement. This notification is required to provide sufficient time to comply with Treasury Regulations Section 1.148-3(g) which requires final payment of any Arbitrage Amount within 60 days of the final retirement of the Obligations. In the event the Issuer fails to notify HSAM in a timely manner as provided hereinabove, HSAM shall have no further obligation or responsibility to provide any services under this Agreement with respect to such retired Obligations.
5. In providing the services set forth in this Agreement, it is agreed that HSAM shall not incur any liability for any error of judgment made in good faith by a responsible officer or officers thereof and, except to the limited extent set forth in this paragraph, shall not incur any liability for any other errors or omissions, unless it shall be proved that such error or omission was a result of the gross negligence or willful misconduct of said officer or officers. In the event a payment is assessed by the Internal Revenue Service due to an error by HSAM, the Issuer will be responsible for paying the correct Arbitrage Amount and HSAM's liability shall not exceed the amount of any penalty or interest imposed on the Arbitrage Amount as a result of such error. Additionally, it is understood and agreed that HSAM shall incur no liability for any errors, omissions, or failure to make a timely payment in connection with any IRS Computation Date calculations occurring prior to the effective date of the Initial Agreement with the Issuer, even if the error is discovered after the date of HSAM's engagement.

No Coordination with Private Activity Regulations

6. The purpose of HSAM's engagement is to determine the Arbitrage Amount pursuant to Section 148(f)(2) of the Code. Sections 141-147 of the Code and the related Treasury Regulations set forth requirements with respect to the amount of obligation proceeds that may be used for the benefit of a private person or entity. Treasury Regulations Section 1.141-6(a) requires that allocations of expenditures of obligation proceeds for purposes of computing the Arbitrage Amount must be the

same as the allocations of expenditures used to test the private use of projects financed with proceeds of the Obligations.

7. For purposes of calculating the Arbitrage Amount, our calculations assume that the allocation of the expenditures of Obligation proceeds as provided to us are the same for both purposes of Sections 141-147 and Section 148 of the Code. The scope of this engagement does not include procedures to analyze the private use limitations associated with the Obligations.

Obligations Issued Subsequent to Initial Agreement

8. The services contracted for under this Agreement will automatically extend to any additional Obligations (including financing lease obligations) issued during the term of this Agreement if such Obligations are subject to the rebate requirements under Section 148(f)(2) of the Code. In connection with the issuance of additional Obligations, the Issuer agrees to the following:
 - a. The Issuer will notify or cause the notification, in writing, to HSAM of any tax-exempt financing (including financing lease obligations) issued by the Issuer during any calendar year of this Agreement, and will provide HSAM with such information regarding such Obligations as HSAM may request in connection with its performance of the arbitrage rebate services contracted for hereunder. If such notice is not provided to HSAM with regard to a particular Obligation, HSAM shall have no obligation to provide any services hereunder with respect to such Obligation.
 - b. At the option of the Issuer, any additional Obligations to be issued subsequent to the execution of this Agreement may be excluded from the services provided for herein. In order to exclude an issue, the Issuer must notify HSAM in writing of their intent to exclude any specific Obligations from the scope of this Agreement, which exclusion shall be permanent for the full life of the Obligations; and after receipt of such notice, HSAM shall have no obligation to provide any services under this Agreement with respect to such excluded Obligations.

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APPENDIX B

This Appendix B sets out the scope of the Investment Advisory Services to be performed by HSAM pursuant to the Agreement, subject to the terms and conditions set forth therein.

AGREEMENT FOR

**INVESTMENT ADVISORY SERVICES
BY AND BETWEEN
TARRANT COUNTY, TEXAS
("Hereinafter referred to as the "ISSUER")
AND
HILLTOP SECURITIES ASSET MANAGEMENT, LLC
(Hereinafter referred to as "HSAM")**

I. Terms and Conditions

This Agreement sets forth the terms and conditions governing the relationship of Tarrant County, Texas (the "Issuer") to Hilltop Securities Asset Management, LLC ("HSAM") with respect to securities and money which the Issuer holds, from time to time, and which are available for investment or reinvestment (the "Portfolio"). This Agreement shall apply to any and all investable funds and securities in the Issuer's Portfolio during the period in which this Agreement shall be in effect.

II. Investment Advisory Services

A. **Services.** With respect to the Portfolio, HSAM will endeavor to provide investment advisory services and cause to be executed such trades as determined in accordance with Section II. B below. HSAM agrees to provide professional services and its facilities and to direct and coordinate all programs of investing as may be considered and authorized by the Issuer and to assume and pay those expenses incurred by HSAM in connection with the execution of investment decisions. Specifically, HSAM agrees to perform the following duties:

1. Review the Issuer's cash flow projections;
2. Recommend appropriate strategies based upon cash flow requirements;
3. Advise the Issuer on current market conditions and other general information;
4. Analyze risk/return relationships between various investment alternatives;
5. Attend meetings of the governing body of the Issuer, its staff, representatives, or committees as requested by the Issuer, when the subject of investments is to be discussed;
6. Assist in the selection of investment securities and, as directed by the Issuer, cause the transactions to be executed;
7. Advise on the investment of the Portfolio in a manner consistent with the Investment Policy, the proceedings of the Issuer authorizing the investment of the bond funds and applicable state and federal rules and regulations;
8. Promptly send (or cause to be sent) trade confirmations to the Issuer; and
9. Assist the Issuer in creating quarterly investment reports as required by written investment

policy, stated procedures and / or state law.

- B. **Scope of Investment Decisions.** In performing the services listed in Section II. A above, HSAM shall not have discretionary authority and, accordingly, shall obtain approval from the Issuer for the purchase or sale of securities prior to execution. The Issuer hereby represents and acknowledges that its written investment policy and investment strategy includes its investment objectives and all portfolio limitations and restrictions, including, without limitation, acceptable levels of investment risk. The Issuer also agrees to notify HSAM in writing ten business days in advance of the implementation of any changes in the Issuer's investment objectives, investment limitations, and/or financial condition.
- C. **Standard of Care.** In the administration of its duties, HSAM shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, not for speculation, but for investment, considering, with regard to the entire Portfolio rather than any particular investment or security, the probable safety of capital and the probable income to be derived.
- D. **Settlement of Securities.** The purchase of individual securities shall be executed "delivery versus payment" (DVP) through the Issuer's safekeeping agent. By so doing, Issuer's funds will be released when and if the Issuer has received, through the safekeeping agent, the designated securities purchased.
- E. **Hold Harmless.** The Issuer hereby agrees to indemnify and hold harmless HSAM, as well as any of its officers, directors, shareholders, affiliates, general partners, employees, agents and trustees, from (i) charges incurred by HSAM on the Issuer's behalf and (ii) for any and all market losses arising with respect to the Portfolio.
- F. **Return on the Portfolio.** The Issuer expressly affirms and acknowledges that HSAM has not promised or guaranteed any stated or specified return on, or performance of, the Issuer's investment portfolio.

III. Representations

- A. HSAM represents that it is registered as an investment advisor under the Investment Advisers Act of 1940 (the "**Advisers Act**") and is authorized and empowered to enter into this Agreement.
- B. The Issuer represents and confirms that (1) the Issuer has full power and authority to enter into this agreement; (2) the terms hereof do not violate any obligation by which the Issuer is bound, whether arising by contract, operation of law, or otherwise; and (3) this Agreement has been duly authorized and will be binding on Issuer according to its terms.
- C. The Issuer agrees to:
 - 1. Provide HSAM with the schedule of estimated cash flow requirements related to the Portfolio, and promptly notify HSAM as to any changes in such estimated cash flow schedule;
 - 2. Provide HSAM, not less than monthly, with all relevant custodian, safekeeping and bank

statements relating to all of the Portfolio; and

3. Allow HSAM to rely upon all information regarding schedules or other information pertaining to the Portfolio as provided to it by the Issuer as being true and accurate. HSAM shall have no responsibility to verify, through audit or investigation, the accuracy or completeness of such information and HSAM will not undertake to authenticate any such information.
- D. The Issuer recognizes that there may be loss or depreciation of the current liquidation, immediate and ongoing value of any investment due to the fluctuation of market values. The Issuer represents that no party to this Agreement has made any guarantee, either oral or written, that the Issuer's investment objectives will be achieved. HSAM shall not be liable for any error in judgment and/or for any investment losses in the Portfolio in the absence of willful malfeasance, gross negligence, or violation of applicable law. Nothing in this Agreement shall constitute a waiver or limitation of any rights that the Issuer may have under applicable state or federal law including without limitation, the state and federal securities laws.
 - E. Issuer represents and acknowledges that Issuer has reviewed and understands the risk factors and fees associated with the Portfolio.

IV. Fees and Costs of HSAM

As consideration for the services provided by HSAM under this Agreement, HSAM will be entitled to a fee (the "Advisor Fee") determined in accordance with the schedule set forth in the fee schedule ("Schedule A"), attached hereto as Appendix C, and incorporated herein for all purposes and is being delivered to the Issuer simultaneously with the execution, and as an integral part, of this Agreement. The obligation of HSAM to pay or incur expenses shall not include any costs incident to litigation, mandamus action, regulatory investigation, test case or other similar legal actions.

V. Reporting and Account Statements

HSAM will deliver or cause to be delivered to the Issuer confirmation of transactions and/or periodic statements for the Portfolio as set forth in this Agreement. HSAM will also provide the Issuer with an annual valuation of the Issuer's Portfolio and any additional statements that may be required by applicable law, including the reporting provisions of the Public Funds Investment Act, or other applicable state law, with respect to transactions effected under this Agreement.

VI. Other Services

The investment advisory services provided hereunder by HSAM to the Issuer are exclusive of any other services that HSAM may provide to the Issuer.

VII. Execution of Investment Transactions

- A. **Affiliated Broker.** HSAM is affiliated through common ownership and control with Hilltop Securities ("Hilltop"), a registered broker/dealer with the Financial Industry Regulatory Authority. ("FINRA"), the U.S. Securities and Exchange Commission ("SEC"), and various state and territorial regulatory authorities. Issuer hereby authorizes HSAM to effect

transactions for the Portfolio by execution through Hilltop. Where transactions are effected through Hilltop, Hilltop may act on an agency or principal basis to the extent permitted by law. Pursuant to Rule 206(3) of the Advisers Act, HSAM will obtain the Issuer's consent on each investment transaction to allow Hilltop to act as a principal in acquiring a security to facilitate a trade. Fees for advisory services will be billed separately in accordance with the terms of this Agreement.

- B. **Bundling of Investment Transactions.** Transactions for each Issuer account generally will be effected independently unless HSAM decides to purchase or sell the same securities for several Issuers at approximately the same time. HSAM may (but is not obligated to) combine or "batch" such orders to obtain best execution. Under this procedure, transactions will be averaged as to price and will be allocated among HSAM Issuers included in the "batch" group in proportion to the purchase and sale orders placed for each Issuer in batch transactions.

VIII. Selection of Brokers

The Issuer agrees that when HSAM effects or places orders for the execution of transactions for the Portfolio (other than situations where the Issuer specifically instructs otherwise in writing), HSAM may allocate such transactions to such brokers and dealers for execution on such markets, at such prices as in the judgment of HSAM will be in the best interests of the Issuer, taking into consideration, in the selection of such brokers and dealers, the available prices and rates of brokerage commissions and other relevant factors, without having to demonstrate that such factors are of a direct benefit to the Issuer. Subject to the foregoing, HSAM will arrange for the execution of securities transactions for the Portfolio through brokers or dealers that HSAM reasonably believes will provide best execution.

IX. Non-Exclusive Relationship

The Issuer hereby acknowledges that HSAM's services under this Agreement are nonexclusive, and that HSAM shall be free to render the same or similar services to other Issuers. The Issuer further acknowledges that HSAM's advice is specific to each individual Issuer's investment objectives, limitations and financial condition. Therefore HSAM, in the performance of its investment advisory duties, may give advice to, and take action on behalf of, other Issuers that may differ from the advice given, or the timing and nature of the action taken, with respect to the Issuer's Portfolio. Nothing in this Agreement shall be deemed to impose upon HSAM any obligation to purchase or sell, or to recommend for purchase or sale for the Issuer's Portfolio, any security that HSAM or its affiliates may purchase or sell, for their own account or for the accounts of any other Issuer if, at the sole discretion of HSAM, it is for any reason undesirable or impractical to take such action or make such recommendation for the Issuer's Portfolio. The Issuer also acknowledges that HSAM has varying fee structures and arrangements with other Issuers and may charge their Issuers different fees, which may be higher or lower than the fees charged with respect to the Issuer's Portfolio for similar services.

X. Instructions from the Issuer

HSAM may rely on all instructions (whether oral or written) given by the Issuer or its agents that HSAM believes to be genuine. HSAM's records of such a transaction will be conclusive as to the content of any instruction. Instructions may be given to HSAM by any officer or agent authorized by (1) the investment policy; (2) a duly executed "Authorization to Trade Public Funds" form provided by HSAM; or (3) a resolution of the governing body of Issuer. HSAM may rely on such authorization until written notice to the contrary is delivered to HSAM by the Issuer; and if the Issuer

does not deliver appropriate authorizing documentation, HSAM may accept instructions from any person reasonably believed by HSAM to be an officer of the Issuer. The Issuer agrees to hold harmless, and to indemnify and defend, HSAM, as well as any of its officers, directors, shareholders, affiliates, general partners, employees, agents, and trustees, against any and all losses sustained by HSAM resulting from or by reason of any and all claims, liabilities, losses, damages, charges, costs, fees, and expenses (including, without limitation, attorney fees and costs, including fees of attorneys who may be HSAM employees or employees of HSAM's affiliates) arising out of or in connection with any action taken in reliance upon any instruction or inquiry believed genuine.

XI. Transactions Subject to Industry Regulations and Standards

All transactions shall be subject to the regulations of all applicable government authorities and self-regulatory agencies including, but not limited to, the constitutions and rules of the clearing agent, exchange, or market where executed. The Issuer understands that HSAM is registered as an investment advisor under the Advisers Act, and as such is obligated to comply with all applicable laws and regulations, including those of the SEC and other regulatory and self-regulatory agencies, and agrees that HSAM shall not be liable to the Issuer as a result of any action taken by HSAM to comply with any ruling, interpretation, or directive of such organizations. Further, Issuer understands and agrees that HSAM will not accept any instructions from Issuer which would require a violation of any such rules or regulations.

XII. Custodial Arrangements

Custody of Portfolio assets will be maintained with a custodian selected by Issuer and identified to HSAM (the "Custodian"). HSAM will not have custody of any assets in the Portfolio. Issuer will be solely responsible for paying all fees or charges of the Custodian. Issuer authorizes HSAM to give Custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the Portfolio.

XIII. Miscellaneous

A. **Notices to the Issuer.** All written communication to the Issuer shall be sent to the Issuer's address set forth on the signature page hereof or as directed in writing to HSAM by the Issuer. Any notice, statement, or other communication mailed to the Issuer by HSAM in accordance with this section will be deemed to be given to the Issuer personally on the date it is so mailed, whether or not it is actually received by the Issuer.

B. **Notices to HSAM.** Any notice, statement, or other communication from the Issuer to HSAM under this Agreement must be in written form and will be deemed to be given to HSAM upon actual receipt thereof by HSAM, whether such notice was mailed, personally delivered, or telecopied to:

Hilltop Securities Asset Management, LLC
2700 Via Fortuna, Suite 410
Austin, TX 78746
Attention: Scott McIntyre
Fax Number: (512) 481-2020
E-Mail: Scott.McIntyre@HilltopSecurities.com

C. **Confidential Relationship.** All of the information and advice furnished by either party to the

other under this Agreement, including their respective agents and employees, will be treated as strictly confidential by each party and will not be disclosed to third parties under any circumstances except as required by law.

- D. **Limitations of Liability.** Federal and state securities laws impose liabilities under certain circumstances on persons who do not act in good faith and, therefore, nothing in this Agreement shall in any way constitute a waiver or limitation of any rights that the Issuer may have under federal and state securities laws.
- E. **Indemnity.** The Issuer will indemnify HSAM for any loss, liability, or expense (including attorney's fees) which HSAM may incur as a result of, or arising from, any claims asserted by any third party with respect to the Portfolio or the services rendered by HSAM under this Agreement, except in cases of gross negligence or willful misconduct by HSAM in managing the Issuer's Portfolio.
- F. **Inconsistent Provisions; Agreements.** If any provisions of this Agreement should become or be found to be inconsistent with laws, rules, or regulations of any government or regulatory body having jurisdiction over the subject matter herein, such provisions shall be deemed modified or rescinded in accordance with any such laws, rules, or regulations. To the extent that the provisions of this Agreement are inconsistent with the provisions of any account agreement or clearing agreement with HSAM or its clearing agent, as the case may be, then the terms of such account agreement or clearing agreement shall govern and such terms shall supersede the inconsistent terms herein.
- G. **Invalid Provisions.** If any provision or condition of this Agreement shall be held to be invalid or unenforceable by any Court, or regulatory or self-regulatory agency or body, such invalidity or unenforceability shall attach only to such provision or condition. The validity of the remaining provisions and conditions shall not be affected, and this Agreement shall be carried out as if any such invalid or unenforceable provision or condition were not contained herein.
- H. **Extraordinary Events.** Neither HSAM nor any of its officers, directors, shareholders, affiliates, general partners, employees, agents, or trustees shall be liable for losses caused directly or indirectly by government restrictions, exchange or market actions, suspensions of trading, wars, strikes, delays in the transmission of orders due to breakdown or failure of transmission or communication facilities, or any other causes beyond HSAM's reasonable control or anticipation.
- I. **Written Disclosure Statement.** Simultaneously with the execution of this Agreement, HSAM has delivered to the Issuer Part II of its Form ADV as filed with the SEC, or a similar disclosure document, as its brochure pursuant to Rule 204.3 of the Advisers Act. The Issuer's execution of this Agreement shall be deemed acknowledgment of receipt thereof.
- J. **Verification of Information.** The Issuer represents and warrants to HSAM that all information furnished to HSAM in connection with the opening of the Portfolio (and all documents supplied by the Issuer in this regard, including financial statements) are true, complete, and correct. HSAM is entitled to rely on this information until HSAM receives written notice of any change, which the Issuer agrees to furnish promptly should any material changes occur.

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APPENDIX C
FORM AND BASIS OF COMPENSATION

This Appendix C sets out the form and basis of compensation to HSAM for the Arbitrage Rebate Compliance Services provided under this Agreement as set forth in Appendix A and the form and basis of compensation to HSAM for the investment advisory services as set forth in Appendix B of the Agreement.

INVESTMENT ADVISORY SERVICES

The Issuer agrees to an asset-based annual fee of four (4) basis points (0.04% or 1/25th of 1%) calculated on the first \$250 million in average asset balance under management during the period. On all balances above \$250 million, the fee is reduced to two (2) basis points (1/50th of 1%). This fee will be billed in quarterly increments in arrears and calculated on the average month-end book value of the total Portfolio for the preceding three months, as reported on the monthly investment reports, excluding bank deposits held with the Issuer's depository bank.

The above fee includes all costs associated with investment management. Safekeeping and banking fees will remain the responsibility of the Issuer.

ARBITRAGE REBATE COMPLIANCE SERVICES

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

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

HSAM's fee for arbitrage rebate services is based upon a fixed Calculation Period fee per issue. The Calculation Period fee is charged based upon the number of Calculation Periods that proceeds exist subject to rebate from the delivery date of the issue to the Calculation Date.

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

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

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

Description	FEE
ANNUAL CALCULATION PERIOD FEE	\$1,600
COMPREHENSIVE ARBITRAGE COMPLIANCE SERVICES INCLUDE:	

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

EXPLANATION OF TERMS:

- a. **Bond Year:** A “Bond Year” is each 1-year period selected by the issuer. The first and last bond years may be short periods. If no bond year is selected, bonds years will end on each anniversary date of the issue and at final maturity.

- b. **Computation Date:** A “Computation Date” is a five bond year period no longer than five years after the issue date. Subsequent Computation Dates will be for a period not later than 5 years after the previous Computation Date and at final maturity of the issue.
- c. **Calculation Period:** A “Calculation Period” represents a one year period from the delivery date of the issue to the date that is one calendar year after the delivery date, and each subsequent one-year periods thereafter. Therefore, if a calculation is required that covers more than one Calculation Period, the Calculation Period fee is multiplied by the number of periods contained in the calculation being performed. If a calculation includes a portion of a Calculation Period, i.e., if the calculation includes 1 ½ Calculation Periods, then the base fee will be multiplied by 1.5.
- d. **Electronic Data Submission:** The data should be provided electronically in MS Excel or ASCII text file (comma delimited text preferred) with the date, description, dollar amount, and an activity code (if not in debit and credit format) on the same line in the file.
- e. **Variable/Floating Rate Bond Issues:** Special services are also required to perform the arbitrage rebate calculations for variable rate bonds. A bond is a variable rate bond if the interest rate paid on the bond is dependent upon an index which is subject to changes subsequent to the issuance of the bonds. The computational requirements of a variable rate issue are more complex than those of a fixed rate issue and, accordingly, require significantly more time to calculate. The additional complexity is primarily related to the computation of the bond yield, which must be calculated on a “bond year” basis. Additionally, the regulations provide certain flexibility in computing the bond yield and determining the arbitrage amount over the first IRS reporting period; consequently, increased calculations are required to determine which bond yield calculation produces the lowest arbitrage amount.
- f. **Commingled Fund Allocations:** By definition, a commingled fund is one that contains either proceeds of more than one bond issue or proceeds of a bond issue and non-bond proceeds (i.e., revenues) of \$25,000 or more. The arbitrage regulations, while permitting the commingling of funds, require that the proceeds of the bond issue(s) be “carved out” for purposes of determining the arbitrage amount. Additionally, interest earnings must be allocated to the portion of the commingled fund that represents proceeds of the issue(s) in question. Permitted “safe-harbor” methods (that is, methods that are outlined in the arbitrage regulations and, accordingly, cannot be questioned by the IRS under audit), exist for allocating expenditures and interest earnings to issues in a commingled fund. HSAM uses one of the applicable safe-harbor methods when doing these calculations.
- g. **Debt Service Reserve Funds:** The authorizing documents for many revenue bond issues require that a separate fund be established (the “Reserve Fund”) into which either bond proceeds or revenues are deposited in an amount equal to some designated level, such as average annual debt service on all parity bonds. This Reserve Fund is established for the benefit of the bondholders as additional security for payment on the debt. In most cases, the balance in the Reserve Fund remains stable throughout the life of the bond issue. Reserve Funds, whether funded with bond proceeds or revenues, must be included in all rebate calculations.
- h. **Debt Service Fund Calculations:** Issuers are required under the regulations to analyze the invested balances in their debt service funds annually to determine whether the fund depletes as required during the year and is, therefore, “bona fide” (i.e., potentially exempt from rebate in that year). It is not uncommon for surplus balances to develop in the debt service fund that services an issuer’s tax supported debt, particularly due to timing differences of when the funds were due to be collected versus when the funds were actually collected. HSAM performs this formal analysis of the debt service fund and, should it be determined that a surplus balance exists in the fund during a given

year, allocates the surplus balance among the various issues serviced by the fund in a manner that is acceptable under IRS review.

- i. **Earnings Test for Debt Service Funds:** Certain types of bond issues require an additional level of analysis for the debt service fund, even if the fund depletes as required under the regulations and is “bona fide.” For short-term, fixed rate issues, private activity issues, and variable rate issues, the regulations require that an “earnings test” be performed on a bona fide debt service fund to determine if the interest earnings reached \$100,000 during the year. In cases where the earnings reach or exceed the \$100,000 threshold, the entire fund (not just the surplus or residual portion) is subject to rebate.
- j. **Transferred Proceeds Calculations:** When a bond issue is refinanced (refunded) by another issue, special services relating to “transferred proceeds” calculations may need to be performed. Under the regulations, when proceeds of a refunding issue are used to retire principal of a prior issue, a pro-rata portion of the unspent proceeds of the prior issue becomes subject to rebate and/or yield restriction as transferred proceeds of the refunding issue. The refunding issue essentially “adopts” the unspent proceeds of the prior issue for purposes of the arbitrage calculations. These calculations are required under the regulations to ensure that issuers continue to exercise due diligence to complete the project(s) for which the prior bonds were issued.
- k. **Universal Cap:** Current regulations provide an overall limitation on the amount of gross proceeds allocable to an issue. Simply stated, the value of investments allocated to an issue cannot exceed the value of all outstanding bonds of the issue. For example, this situation can occur if an issuer encounters significant construction delays or enters into litigation with a contractor. It may take months or even years to resolve the problems and begin or resume spending the bond proceeds; however, during this time the debt service payments are still being paid, including any scheduled principal payments. Thus, it’s possible for the value of the investments purchased with bond proceeds to exceed the value of the bonds outstanding. In such cases, a “de-allocation” of proceeds may be required to comply with the limitation rules outlined in the regulations.
- l. **Yield Restriction Analysis/Yield Reduction Computations:** The IRS strongly encourages issuers to spend the proceeds of each bond issue as quickly as possible to achieve the governmental purpose for which the bonds were issued. Certain types of proceeds can qualify for a “temporary period,” during which time the proceeds may be invested at a yield higher than the yield on the bonds without jeopardizing the tax-exempt status of the issue. The most common temporary period is the three-year temporary period for capital project proceeds. After the end of the temporary period, the proceeds must be yield restricted or the issuer must remit the appropriate yield reduction payment when due. HSAM performs a comprehensive yield restriction analysis when appropriate for all issues having proceeds remaining at the end of the applicable temporary period and also calculates the amount of the yield reduction payment due to the IRS.



TAKINGS IMPACT ASSESSMENT CHECKLIST

Complete this form for any county action that involves the adoption of a regulation, policy, guideline, court resolution, or order.

Project/Regulation Name: Consideration of Contract - RFQ No. F2024080 - Financial Advisory Services - County Administrator's Office - Hilltop Securities, Inc.

County Department: PURCHASING

Contact Person: Melissa Lee, C.P.M., A.P.P.

Phone Number for Contact Person: (817) 884-3245

Type of TIA Performed: SHORT TIA or FULL TIA. Circle one after answering the questions in Sections II and III below.

I. Stated Purpose

Attach to this checklist an explanation of the purpose of the regulation, policy, guideline, court resolution, or order.

Note: The remainder of this Takings Impact Assessment Checklist should be completed in consultation with the Criminal District Attorney's Office.

II. Potential Effect on Private Real Property

1. Does the county action require a physical invasion, occupation, or dedication of real property?

Yes _____ No ✓

2. Does the county action limit or restrict a real property right, even partially, or temporarily?

Yes _____ No ✓

If you answered yes to either question, go to Section III. If you answered no to both, STOP HERE and circle SHORT TIA at the top of the form.

Consideration of Contract for Arbitrage Rebate Compliance Services - RFQ No. F2024080 -
Financial Advisory Services - County Administrator's Office - Hilltop Securities, Inc.

SIGNED AND EXECUTED this <#MeetingDateLong#>.

**COUNTY OF TARRANT
STATE OF TEXAS**

A handwritten signature in black ink, appearing to read "Tim O'Hare", with a stylized flourish at the end.

Tim O'Hare
County Judge
11/14/2024