

Statement of Qualifications for Financial Advisor Services

City of Denton, Texas

September 21, 2016

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About the Firm

We are honored to have the opportunity to present the firm's qualifications to continue to serve as financial advisor for the City of Denton, Texas (the "City").

First Southwest Company, LLC ("FirstSouthwest"), founded in 1946, was originally dedicated to serving the financing needs of local municipalities and over the years grew into a national firm with expertise in every sector of public finance. In 2015, Hilltop Securities Inc. (formerly Southwest Securities, Inc.) and FirstSouthwest became common control affiliates under Hilltop Holdings Inc., a Texas-based diversified financial holding company specializing in banking, mortgage origination, financial advisory and insurance through its wholly owned subsidiaries. On January 22, 2016, Hilltop Securities and FirstSouthwest merged to create a new, stronger firm with complementary business lines and a shared history representing more than 112 years of industry experience. **The firm's financial advisory services are provided through "FirstSouthwest, a Division of Hilltop Securities Inc." ("FirstSouthwest").**

The Firm at a Glance

50 Public Finance Offices in 19 States

974 Employees Firm-Wide (approximately)

21 "Deal of the Year" Awards

Reliable, Firsthand Market Information

#1 Financial Advisor in the Nation for Number of Issues*

*Source: Ipreo MuniAnalytics 9/1/2011 – 8/31/2016

Top-Ranked Financial Advisor

Our history of success in assisting clients in the achievement of their financial objectives and personal service is reflected in the number of transactions for which we have been privileged to serve our clients.

A Decade as Financial Advisor

National Experience

FirstSouthwest, a Division of Hilltop Securities

Source: Ipreo MuniAnalytics

Year	Number of Issues		Par Amount	
	Issues	Rank	(\$ bil)	Rank
2015	1,016	1	39.16	2
2014	1,013	1	37.56	2
2013	1,025	1	29.95	3
2012	1,093	1	35.00	2
2011	953	1	26.82	2
2010	1,061	1	35.52	3
2009	837	2	29.04	3
2008	815	1	26.86	2
2007	1,020	1	37.35	2
2006	976	1	24.62	2
TOTAL	9,809 Issues		\$321.87 Billion	

For the five-year period ending August 31, 2016, Ipreo MuniAnalytics ranked FirstSouthwest as **the number-one financial advisor in the nation** based on number of issues, with a total of 5,218 transactions representing in excess of \$183.99 billion par amount.

National Financial Advisor Rankings by Number of Deals

FirstSouthwest, a Division of Hilltop Securities Inc.

September 1, 2011 – August 31, 2016

Source: Ipreo MuniAnalytics

FirstSouthwest	5,218
Public Fin Mgmt	4,570
Fiscal Adv & Mkt	2,378
Capital Markets Adv	1,923
Ehlers	1,854

The table above includes issues from both Southwest Securities, Inc. and First Southwest Company, LLC. The two firms merged on January 22, 2016.

Commitment to Texas and Cities

FirstSouthwest is headquartered in Dallas, Texas, and currently has Texas public finance offices in Dallas, Fort Worth, Austin, Houston, San Antonio, Clifton, El Paso, and Pharr. We understand the nature of the work the City seeks, and the professionals who are based in our Fort

Worth office will coordinate and manage the City's engagement effectively and efficiently.

Advantages of a Local Presence. The firm's close proximity to the City provides distinct advantages, including:

- **Commitment of local support** to the City, offering readily available resources.
- **In-depth knowledge of Texas issuers**, providing expertise that rivals that of any other firm.

Our experience is constantly being built upon by participating in a multitude of public finance engagements for state, county, and city-level issuers within Texas, providing invaluable experience that will aid and benefit the City when securing funding for its infrastructure needs.

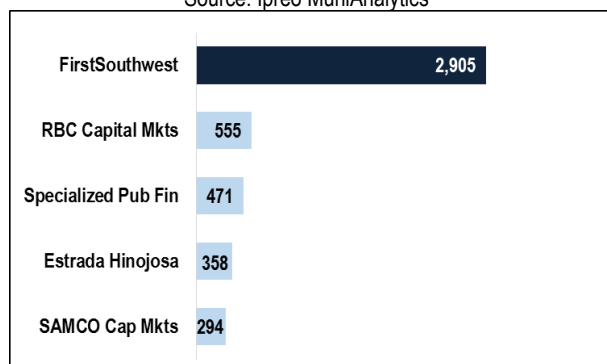
According to Ipreo MuniAnalytics, for the five-year period ending August 31, 2016, we are ranked as the **number-one financial advisory firm in the State of Texas** based on number of issues **and** par amount, with 2,905 transactions totaling \$94.374 billion par amount.

Texas Financial Advisory Rankings by Number of Deals

FirstSouthwest, a Division of Hilltop Securities Inc.

September 1, 2011 – August 31, 2016

Source: Ipreo MuniAnalytics



The table above includes issues from both Southwest Securities, Inc. and First Southwest Company, LLC. The two firms merged on January 22, 2016.

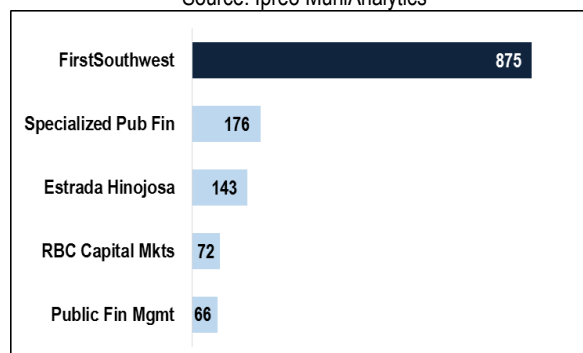
Furthermore, for the five-year period ending August 31, 2016, we rank as **the number-one financial advisor in the State of Texas for cities**, based on number of issues **and** par amount with 875 transactions totaling \$25.39 billion par amount. As a result, we are one of the nation's and State's leading financial advisors to city-level issuers and have worked with our client base to bring to market virtually every manner and type of debt.

Texas Cities Financial Advisory Ranking by Number of Deals

FirstSouthwest, a Division of Hilltop Securities Inc.

September 1, 2011 – August 31, 2016

Source: Ipreo MuniAnalytics



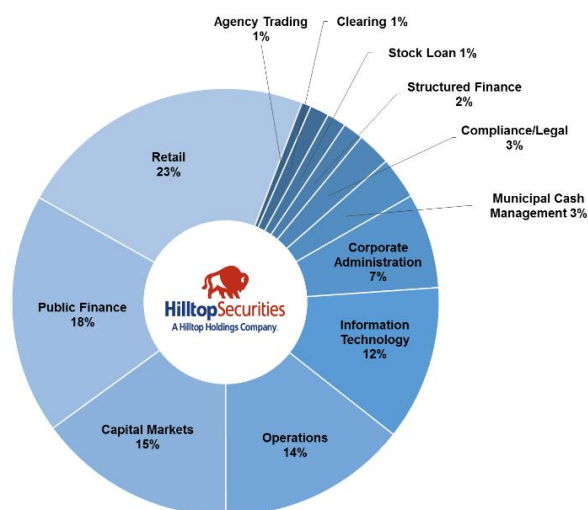
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Personnel & Public Finance Focus

HilltopSecurities' Public Finance Department, FirstSouthwest, is one of the largest divisions in the firm. Public Finance, when combined with Sales, Trading, Underwriting and Retail Sales, comprises 50% of HilltopSecurities' total staff firm wide. The following graph, which shows the dispersion of personnel among the different service and support divisions of the firm, helps illustrate the weight of public finance in the firm. Providing the highest quality financial advisory services to issuers nationwide is our core business. Such commitment to the public sector ensures that the City will continue to receive attention from all corners of HilltopSecurities.

Personnel by Department

(as of July 2016)



*Corporate Administration Includes Print Services, Accounting, and HR

At HilltopSecurities, we organize our Public Finance Department by industry, region, and product, giving us a focus group for nearly every type of public entity: state and local government projects, power, water/wastewater, economic development, housing, education, state revolving funds, transportation, and healthcare.

As a leading advisor to state and local issuers nationwide, FirstSouthwest has responded to today's increasingly complex public finance landscape by raising the bar on the services, resources, and experience our firm offers. In fact, FirstSouthwest is the most well-equipped and resourceful investment banking firm in the nation.

Expertise Across Sectors & Types

FirstSouthwest has served as financial advisor to municipal issuers on virtually all types of municipal financings. The collective experience of our firm extends to the issuance of many different types of municipal debt for many kinds of municipal issuers, including but not limited to:

- General Obligations
- Special Tax
- Non-Ad Valorem (CB&A)
- Public Service Tax
- COPs
- Water & Sewer
- Parking Revenues
- Toll Road Bonds
- Rapid Transit
- Solid Waste
- Sales/Use Tax Bonds
- Housing
- Revolving Funds
- Healthcare
- Higher Education
- Ports
- School District
- Public Power
- Convention Center/Hotel
- Industrial Revenue Bonds
- Lease Purchase Bonds
- Limited Tax
- Airport Revenues
- Special Assessments
- Fixed Rate Bonds
- Variable Rate Bonds
- Gas Tax
- Refunding Bonds
- Synthetic Structures
- Forward Delivery
- Taxable Bonds
- VRDOs
- FRNs
- Tax Increment Financing
- Commercial Paper
- ARRA Instruments
- Tax Anticipation Notes
- Bond Anticipation Notes
- Grant Anticipation Notes
- Bank Loans
- Leases
- Pooled Programs
- Special Districts
- Public Private Partnerships

As financial advisor, the scope of services we offer is entirely comprehensive, constantly evolving, easily adaptable, and truly unmatched by that of other firms.

Rating Experience

For the past five years, FirstSouthwest served as financial advisor on 4,139 **long-term** bond issues nationwide (Source: Ipreo MuniAnalytics). Of these, 3,900 were rated by at least one of the major agencies, meaning that our firm averages approximately 15 rated transactions per week. The following table notes the impressive percentage of relevant rated transactions where FirstSouthwest served as financial advisor.

FirstSouthwest as Financial Advisor Rated Transactions August 1, 2011 – July 31, 2016		
Type of Transaction	Volume	Par Amt (\$bil)
Overall Issues	4,139	\$169.23
Rated Issues	3,900	\$166.30
Percentage of Issues that were Rated	94%	98%

As a result of our experience, FirstSouthwest has relationships with Moody's Investors Service, Standard & Poor's, Fitch, and Kroll. This continual "hands-on" exposure to all aspects of the rating process affords the City a major advantage: an in-depth understanding of the rating agencies' typical concerns regarding municipal government credits. We will closely guide the City through the presentation process in order to help the City achieve its rating goals.

Reflecting the importance FirstSouthwest places on assisting clients in their interactions with rating agencies, FirstSouthwest employs two former rating agency analysts, including Ms. Angela Kukoda, Director, who is part of the financial advisory team assembled to support the City. She joined FirstSouthwest from Standard and Poor's Corporation. As a result, she offers the City unparalleled insight into the thought process of the agencies, including the factors considered in the rating process of the City and their relative influence. Ms. Kukoda can share such historical knowledge, as well as her experience participating in numerous rating agency presentations as a rating agency analyst. However, the greatest value she offers the City is insight into how proposed financing plans, and changes in financial, tax, investment and debt policies may or may not affect the credit rating of the City going forward.

Bond Pricing Support

FirstSouthwest will represent the City in all areas of bond pricing and sale. In addition to our extensive capital markets support throughout the negotiated sale process, FirstSouthwest routinely provides our clients with pre and post-sale analysis of its financing. This includes market information and news, economic data, and comparables that are used for benchmarking purposes.

In our role as financial advisor, FirstSouthwest's capital markets group routinely provides recommendations regarding the following matters based on their active market involvement and extensive institutional investor relationships:

- Structure
- Call options and premiums
- Yields
- Coupons
- Placement of Term Bonds and pricing
- Serial Bonds and Pricing
- Capital Appreciation Bonds and pricing
- Cost effectiveness of insurance
- Credit aspects
- Underwriters' takedown and spread
- Syndicate rules
- Allocation of bonds

In short, our capital markets capabilities and expertise provide an enormous advantage to the City and differentiate FirstSouthwest from "independent" advisory firms, which do not have principal market involvement and capabilities. Although the City may only require some of these services to be provided by FirstSouthwest, the expertise of all the professionals in these auxiliary areas is shared with the public finance professionals and utilized when specific questions arise.

FirstSouthwest is not only an experienced financial advisory firm, but also a registered broker-dealer and underwriter of new issue municipal securities. This means that we are uniquely qualified among financial advisory firms to monitor existing transactions, provide timely market developments, recommend appropriate structures, and provide advice on the timing of offerings for our financial advisor clients. **Importantly however, FirstSouthwest will not underwrite any of the City's securities while serving as financial advisor.** In many ways, our financial advisory clients have the advantage of drawing upon the advice and recommendations of not only their own underwriters, but also the underwriters

on FirstSouthwest's desks, as the 30+ year professionals spend approximately 70% of their time assisting our financial advisory clients. Our underwriting professionals work in partnership with our financial advisory professionals from the beginning preliminary structuring, updating with current scales and coupon ideas, call features, to priority of order decisions and final allocations of the senior managing underwriter. They understand all facets of the underwriting process, from how to capture the largest retail sales percentage to working with the most difficult institutional orders. This unparalleled expertise has provided our financial advisory clients superior services compared to "independent" financial advisors that do not employ these professionals.

Our local team can cite numerous examples in which our underwriting and trading desks have provided valuable information and recommendations that ultimately led to the lowest possible cost of borrowing for our financial advisory clients. Our underwriting desk has successfully negotiated lower takedowns and yield reductions at pricing on behalf of clients. In comparison, financial advisors that are not registered broker-dealers do not have access to the same level of timely market data and institutional contacts and must obtain pricing information from third-party underwriters or via other indirect means. Oftentimes, financial advisory firms that do not operate their own underwriting desks request market data from us, regardless of whether we have a vested interest in the transaction for which they are requesting information. Our clients directly and significantly benefit from this firsthand, direct, real-time market participation.

We strongly believe that this approach distinguishes our services from our competitors, but most importantly, it provides a higher quality service to our clients and allows them to achieve the lowest possible cost of borrowing. The City can be confident that when the time arrives to price its issue, our professional capital markets staff will assist over every detail of the transaction and obtain the most value for the securities the market will allow.

Ancillary Services

Our Public Finance Department is structured to provide clients with access to multiple professionals with expertise in diverse areas of finance. The following table summarizes the volume of our participation providing these select services.

Type of Service	Volume of Participation
Arbitrage Rebate Calculation Services	As of June 30, 2016, provided calculations to approximately 380 clients on more than 2,875 bond issues, totaling \$166 billion par amount
Continuing Disclosure Services	Provides services for approximately 700 clients and annually files more than 800 reports
Investment Management	As of June 30, 2016, actively manages \$9.05 billion for 40 state and local governments; also serves as the investment advisor for an additional \$5.11 billion, a total of \$14.16 billion.
Structured Products	For the five year period ending June 30, 2016, the firm has served as swap advisor on 222 transactions totaling over \$10.6 billion in notional amount. Additionally, the firm has served as the bidding agent for 608 transactions totaling over \$38.9 billion in notional amount.
Underwriting	During the five-year period ending June 30, 2016, served as senior or co-managing underwriter on approximately 2,369 transactions totaling \$200.23 billion par amount (Source: Ipreo MuniAnalytics).
OPEB Consulting	Members of the firm have reviewed over 2,000 pension and OPEB actuarial studies and related CAFRs. Our firm has worked with independent actuaries to review pension studies, including TMRS members. In some cases, there were material changes.

Sources: **Internal Database unless otherwise specified

