Proposal to Provide Financial Advisory Services RFP #3120000726
Master Lease Purchase Programs

State of Mississippi – Master Lease Programs

July 7, 2016

ORIGINAL

FirstSouthwest
A Division of Hilltop Securities

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Transmittal Letter

July 7, 2016

Mr. Ross Campbell, Director
Marketing and Audit
Office of Purchasing, Travel and Fleet Management
Department of Finance and Administration
501 North West Street, Suite 701A
Jackson, Mississippi 39201

Dear Mr. Campbell:

FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest") is pleased to respond to the State of Mississippi's Request for Proposal to serve as financial advisor for the State's Master Lease Purchase Program for State Agencies and the State's Master Lease Purchase Program for School Districts and Community and Junior College Districts (collectively, the "Program"). We believe that we are uniquely qualified to address the needs of the Program based on our decades-long history in public finance, the breadth and depth of our available resources, and our proud tradition of excellence in service.

FirstSouthwest currently serves as the financial advisor to the State's existing master lease programs for (A) state agencies, (B) school districts and community college districts and (C) state universities. FirstSouthwest Leasing Company, a FirstSouthwest affiliate, serves as lessor for the three programs. Through association with a prior firm, the employees of FirstSouthwest Leasing have been involved with the State Agency Program since its inception in the 1990s and with the District Program since its beginnings in 2001. The solid on-going relationships that we have developed over the years with Program participants facilitate communication and freely exchanged ideas and opinions.

Business Philosophy

FirstSouthwest's mission is to serve as trusted advocates for our clients by providing the expert financial guidance, solutions and services that achieve their definition of success. We deliver on this mission in two critical ways:

- ***Forthright Advice*** - We listen and respectfully collaborate, pairing honesty with sound judgment to enable clients to achieve confidence in their decision-making. Our long-term relationships are built on a foundation of transparency and candid communication.

- ***Tailored Solutions*** - We create tailored solutions specific to the needs of our municipal issuers. Our solutions and services are developed by teams of experienced financial professionals, each of whom operate with the highest degree of integrity, never losing sight of the critical role collaboration plays.

Proven Financial Advisory Capabilities

FirstSouthwest is one of the nation's leading advisors to issuers of municipal debt. Notably, we are the number-one ranked firm for number of bond and note issues completed every year for the past ten years (Source: Ipreo MuniAnalytics). From July 1, 2011 through June 30, 2016, for instance, FirstSouthwest helped its clients bring to market approximately 5,199 debt offerings totaling roughly $181.25 billion. As the financial advisor for the State's bond issues, FirstSouthwest assisted the State with seven bond issues (Series 2015 A – G) last year.

Broker/Dealer Advantage

HilltopSecurities is a registered broker/dealer. As a broker/dealer, the firm is subject to the rules and regulations of various governmental bodies such as the U.S. Securities and Exchange Commission ("SEC"), the Municipal Securities Rule Making Board ("MSRB"), and the Financial Industry Regulatory Authority ("FINRA"), among others. This distinguishes us from most other firms that propose to provide financial advisory services without being subject to such oversight and the capital requirements that go along with such regulation. As a broker/dealer, we maintain $267.18 million in equity capital.

Team Concept

FirstSouthwest's business philosophy has always been to implement the team concept in providing the best possible service to our clients. Under this concept, the client's needs are met by a variety of professionals from different disciplines with specialized expertise in various aspects of a particular transaction. To accomplish this goal, FirstSouthwest has assembled a multi-disciplinary team of financing professionals capable of meeting the needs of the Program while maintaining a single and consistent source of contact.

Comprehensive Level of Service

In addition to a comprehensive level of financial advisory services, FirstSouthwest provides services related to the following: asset management, continuing disclosure, arbitrage rebate minimization planning and calculations, other post-employment benefits consulting, economic updates and the monitoring of regulatory and legislative changes.

The firm has earned national recognition by receiving "Deal of The Year" Awards by *The Bond Buyer, Institutional Investor* and *International Financing Review* 21 times for innovative structures specifically tailored to the needs of a particular client. This repeated level of recognition affirms FirstSouthwest's dedication to exploring innovative techniques and structuring transactions for the benefit of our clients.

As the key contact person for this engagement, I affirmatively state the firm's commitment to the terms and conditions specified throughout Request for Proposal #3120000726. FirstSouthwest looks forward to the opportunity to continue and strengthen its relationship with the State and its Programs. If you have any questions, or if I can provide further assistance, please do not hesitate to contact me.

Sincerely yours,

Vickie Hall
Vice President

Vickie Hall, Vice President,
Vickie.Hall@hilltopsecurities.com
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A. Proposal Transmittal Form

A completed and signed Proposal Transmittal Form (Appendix A) and a Transmittal letter which must identify the key Offeror contact individual and the telephone number where that person can be reached. The transmittal must affirmatively state an Offeror's commitment to the terms and conditions specified throughout this RFP.

FirstSouthwest, a Division of Hilltop Securities Inc. ("FirstSouthwest") has included a cover letter preceding the body of its Technical Proposal and its signed Proposal Transmittal Form in ***Appendix A.***

B. Program Description

A complete description of the Programs, which must describe the events which will take place as well as the documents that will be used. This should include a description of the educational and training program that will be used.

The proven capabilities of FirstSouthwest and its knowledge of Mississippi requirements for lease-purchase transactions, together with the extended services offered by the firm provide maximum benefits in structuring and maintaining a master lease program: The State's Master Lease Program for State Agencies (the "State Agency Program") has evolved since 1993 to become a standard for competitively-bid master lease programs in other states, as has the State's Master Lease Program for School Districts and Community College Districts (the "District Program"). As used in this proposal, "Program" shall refer to both the State Agency Program and the District Program. FirstSouthwest recommends the continued use of the Program as it is currently structured. As more efficient or effective aspects of the Program are discovered, FirstSouthwest will incorporate those improvements into the Program. Complete information about the current Program follows:

- FirstSouthwest has successfully served as financial advisor (or in some cases, co-financial advisor) to the State for its Master Lease Program for State Agencies (the "Program"), as well as the master lease programs for School Districts and Community and Junior College Districts since 2003; that experience is mirrored by FirstSouthwest Leasing, the municipal leasing affiliate of FirstSouthwest. Vickie Hall and Linda Noah, active participants in the Program, have been involved with Program since its inception in the 1990's through a previous employer.
- **(for the State Agency Program)** - Pursuant to Section 31-7-10 of the Mississippi Code of 1972, as amended, the Program is structured as a master lease agreement (the "Master Lease") between the Department of Finance and Administration ("DFA"), as lessee, and FirstSouthwest Leasing, as lessor.
- **(for the District Program)** - Pursuant to Section 31-7-10(15) of the Mississippi Code of 1972, as amended, the Program is structured as a master lease agreement (the "Master Lease") between the Department of Finance and Administration ("DFA"), as lessee, and FirstSouthwest Leasing, as lessor.
- If the Program is required to be re-validated, FirstSouthwest will assist in the validation process.
- FirstSouthwest will assist DFA in preparing Requests for Proposal to solicit bids for corporate trustee (the "Trustee") and special tax counsel, upon request.
- FirstSouthwest will be responsible for the coordination, administration and management of the Program. Structurally, the Program consists of the aggregation of the purchasing or refinancing needs of one or more State Agencies (the "Agencies") and/or School Districts/Community College Districts (the "Districts"). The Agencies and the Districts are collectively referred to as the "Participating Users"). The aggregated equipment needs of the Participating Users are in turn financed through the competitive or negotiated sale of individual series of Lease Revenue Certificates of Participation ("COPs") or financed directly with bank financing on a private-placement basis.
- Each Participating User will enter into a User Agreement with DFA, pursuant to which each Participating User will agree to
  - lease purchase certain equipment acquisitions and/or refinance the lease purchase of certain equipment currently subject to outstanding lease purchase arrangements and

- make certain semi-annual lease payments to DFA in order to enable DFA to pay, pursuant to the Master Lease, for the equipment to be lease purchased or refinanced.

- FirstSouthwest will deliver invoices to each Participating User regarding the lease payments to be made to DFA pursuant to the respective User Agreements. FirstSouthwest will work with the individual Participating Users to develop an invoice for each user that accommodates the particular procedures or requirements of that Participating User. For instance, a Participating User may require an aggregate invoice that lists each item of equipment by purchase order number, or perhaps separate invoices are required for each item of equipment by purchase order, by department within a Participating User, or by a special program for which the equipment was acquired. The Participating User may require that the lease payments be broken out by principal and interest. There are numerous variations and FirstSouthwest will work to ensure that each Participating User's needs are met.
- Each **State Agency** will remit the lease payments to DFA by submitting a check or warrant to DFA. Arrangements can also be made with DFA to automatically withdraw each lease payment from the appropriate Agency accounts when due and payable to DFA, if requested by the Agency. DFA will aggregate all of the lease payments made by each participating Agency and will use those payments to make the required lease payments to the Trustee under the Master Lease.
- Each **School District** will remit the lease payments to the State Department of Education. Upon receipt of the School District's lease payments, the Department of Education will remit payments to DFA. In the event that a School District fails to make its lease payments in timely manner, the Department of Education will notify DFA of such failure and DFA will withdraw a corresponding amount from the minimum education and/or adequate education program fund allotments to make such lease payments, all pursuant to Section (15) of the Master Lease Statute. DFA and the Department of Education have formalized this agreement pursuant to an Intercept Agreement dated as of June 3, 2003.
- Each **Community College District** will remit its lease payments to DFA. In the event that a Community College District fails to make its lease payments in timely manner, DFA will immediately notify the State of Mississippi Board of Community and Junior Colleges, and DFA will immediately draw such amounts as are due from any funds allocated for the respective Community College District in the state appropriations for the use and support of the Community and Junior Colleges, pursuant to Section (16) of the Master Lease Statute. In the event that DFA intercepts funds as described herein, the Board of Community and Junior Colleges will deduct a corresponding amount from the monthly disbursements that are made by the Board to the applicable District.
- DFA will aggregate all of the lease payments made by each participating District and will use such payments to make the required lease payments to the Trustee under the Master Lease.
- A series is typically funded through an assignment to the Trustee of FirstSouthwest Leasing's rights to receive the lease payments payable by DFA and the execution and delivery of COPs in such lease payments to investors in the public markets. Lease payments made by DFA under the Master Lease will be paid to and used by the Trustee to make required payments to the purchasers of the COPs in the particular series.
- Typically, one or two series of competitively-bid or negotiated COPs are sold each year. FirstSouthwest will develop a Preliminary Offering Circular for any series that is publicly-offered, to be electronically distributed to potential underwriters through the services of I-deal. FirstSouthwest attends the bid opening and also conducts the award process in person or via telephone conference.
- If the COPs are private-placed, FirstSouthwest does <u>not</u> serve as placement agent. The firm will prepare a term sheet summarizing the terms of the deal and will distribute the term sheet as directed by DFA.
- Upon request, FirstSouthwest will prepare a post-sale analysis for each series of COPs.
- On the settlement date for each series of COPs, the Trustee deposits funds necessary to purchase

requested equipment or to refinance existing lease purchase obligations for each Participating User in a trust account pending a request from the Participating User to pay a vendor for accepted equipment. To request vendor payment, a Participating User will complete and submit a Request for Disbursement, a form of which is attached to each User Agreement. To complete a Request for Disbursement, a Participating User (i) will attach invoices, purchase orders, title applications, and other similar paperwork requested on the Request for Disbursement and (ii) provide the name of the vendor and the method by which the Trustee should pay the vendor, such as by check (by including the vendor's delivery address) or by wire (by including wire instructions for the vendor). Upon the Participating User's completion of the Request for Disbursement and delivery to FirstSouthwest, FirstSouthwest will review the Request for Disbursement for accuracy, then forward it to the Trustee. The Trustee will pay each vendor directly as specifically requested by the Participating User. Pending disbursement, interest earnings attributable to the Acquisition Fund will accrue to the benefit of the State.

- FirstSouthwest will be responsible for preparing all documentation specific to the transaction, including the Master Lease, the User Agreements, the Trust Agreements, all Assignments, the Term Sheet, a Certificate Purchase Agreement, tax reporting documents, UCC financing statements, disclosure and marketing materials, and all ancillary documents. FirstSouthwest will also be responsible for distributing the documents to DFA, the Participating Users, the Trustee, Trustee's counsel, special tax counsel, bankruptcy counsel, local counsel, Office of the Attorney General, rating agencies, providers of credit enhancement, if applicable, and any other interested parties. FirstSouthwest will also be responsible for coordinating with local counsel, special tax counsel, bankruptcy counsel and the Office of the Attorney General regarding the substance and receipt of opinions to be rendered by those parties. FirstSouthwest's in-house counsel will be available to discuss legal issues related to the Program with counsel to DFA and to the Participating Users.

The following is a list of typical documents prepared for each financing:

To be Executed by DFA:

- Master Lease Purchase Agreement
- Each User Agreement
- Consent to Lease and Assignment of Title, if applicable
- Acknowledgment of Assignment
- Closing Certificate
- Arbitrage and Tax Certificate
- Invoicing Instructions
- Continuing Disclosure Certificate
- Evidence of Insurance
- Form 8038-G

Additionally, the Office of the Attorney General will render an opinion to the effect that, among other things, DFA and the Participating Users have the ability to enter into the financing documents and that the documents constitute the respective binding obligations of DFA and the Participating Users.

To be Executed by Each Participating User:

- User Agreement
- Consent to Lease and Assignment of Title, if applicable
- Closing Certificate
- Invoicing Instructions
- **(applicable to the Districts only)** Form 8038-G

In addition, the Board of each District must adopt an authorizing resolution that, among other things, approves the District's participation in the Series, approves the forms of the financing documents, and authorizes the Superintendent to execute documents on behalf of the District.

Post-Closing Servicing:

FirstSouthwest provides a high level of post-closing services throughout the term of each series. These services range from:

- customized invoicing
- maintaining detailed reconciliations and analysis of client accounts such as lease payment history and vendor payments in an escrow account which information is available via telephone or email during regular business hours

- on-going monitoring of the lease markets for new trends and development of new ideas in leasing
- individual or group education about the program to all participants, such as introductory phone conferences or personal meetings and working sessions to explain the documentation and the range of options available for payments to equipment vendors
- confirming transactions recorded on monthly trustee statements to verify that vendor payments have been made as requested and lease payments and interest earnings, if any, have been properly credited
- maintaining perfected security interests through filing of UCC financing statements
- assisting in the investment of acquisition or escrow funds.

Personnel are available for support during the hours of 8:00 a.m. to 5:00 p.m. (Central Standard Time), Monday through Friday, excluding holidays.

Informing the Participating Users About the Program:

To optimize the Program, FirstSouthwest is available for one-on-one consultation or educational meetings with individual Participating User or for group presentations. In the past, FirstSouthwest has presented a ***"Leasing 101"*** workshop at the annual conference held by the Mississippi Association of Governmental Purchasing and Property Agents. FirstSouthwest explains the Program, including its benefits and the process, and conducts a question-and-answer session. This hands-on presentation presents an invaluable opportunity to education agencies about the Program. In 2014, the firm participated in a "Roadshow" –type venue in conjunction with DFA's annual meeting with school districts. Over a week's time, FirstSouthwest presented an informational segment about the District Program in four locations across the State as a part of the State's larger agenda.

In order to ensure the continued success of the Program, to estimate demand for future issues and effectively manage the Program, FirstSouthwest proposes the following:

- FirstSouthwest periodically will distribute any changes to or notices about the Program to all Participating Users.
- Periodically, FirstSouthwest will distribute to DFA and the Participating Users a demand survey that will assist the Participating Users in determining their individual equipment needs for the next six to twelve months.
- FirstSouthwest is available by phone, fax, email, writing, or in person to address issues one-on-one to ensure that each Participating User receives personal, individualized attention to its concerns and questions.

C. Required Documentation

Description of information needed from a District and/or a State Agency to prepare the documentation required to acquire funding.

FirstSouthwest will assist the State by gathering all information regarding the essential use and justification for any equipment to be acquired under the Program. In that regard, a questionnaire similar to the following form will be utilized to obtain pertinent detailed information describing the equipment to be financed, as well as any information required to gain an understanding of the essentiality of the equipment to the operations of the Participating User. FirstSouthwest also will supply customized questionnaires for special projects financed under the Program. A sample Equipment Questionnaire is attached as ***Appendix B.***

FirstSouthwest has often met personally, and will continue to do so as the need arises, with a Participating User to gain a complete understanding of the equipment acquisition. Developing comprehensive descriptions of equipment to be financed pursuant to the Program is a critical factor in obtaining the lowest cost of financing. Providing adequate information to rating agencies, credit enhancers, and/or investors with respect to the essentiality of equipment to be acquired provides a level of comfort to these parties that the appropriations for the equipment are likely to be continued. Good examples of essential and well-justified equipment purchases would include the following examples:

- **For State Agencies:** equipment that is vital to the continued operation of the vital functions of State government and to enable the State and its agencies to meet their mandated missions as determined by the State legislative process
- **For Districts:** equipment that is vital to the continued operation of the District's vital

functions and to enable the District to meet its mandated missions

- equipment that results in the reduction of other expenditures such as (a) maintenance and repair expenses, (b) replacement of material parts, (c) expenses related to energy costs (i.e., gasoline and electricity costs), (d) and/or a reduction of other expenses
- equipment that enables the State (or the District) to receive higher levels of federal funding by enabling the Participating User to meet requirements for certain federal reimbursement programs.

It should be noted that rating agencies do consider the justification for, and essential nature of, the equipment during the rating process. Therefore, evidence with respect to why the equipment is being acquired, what the equipment will be utilized for and the economic benefits, if any, obtained through the acquisition of the equipment is important to both rating agencies and investors.

The Participating Users should notify DFA and FirstSouthwest with respect to any federally allocated funds that may be used to pay lease payments, an important fact in ascertaining and protecting, if possible, the tax-exempt status of the financing.

D. Representative Documentation

Copies of representative documents which have been used or could be used by other entities to establish a similar program and to obtain funding (to include, if applicable, a Master Lease Purchase Agreement, Arbitrage and Tax Certificate, Closing Certificate, District and State Agency Sub-lease Agreement, offering materials, legal opinion, etc.).

A single copy of the transcript that was prepared in connection with Series 2015A of the Program is attached as ***Separately Sealed Exhibit 1.*** The transcript contains every document that is utilized in the Program. Likewise, a single copy of the transcript for the privately-placed COPs sold in connection with Series 2016A of the Program is attached as ***Separately-Sealed Exhibit 2.***

E. Financial Statements

Financial Statement of Offeror dated within one (1) year of Proposal Due Date.

Hilltop Securities Inc. 2015 Audited Financial Statement is included as ***Appendix C.***

F. Key Personnel

Name, background, years of experience and qualifications of personnel to be involved with the State of Mississippi Master Lease Purchase Programs for K-12 School Districts and Community and Junior College Districts and for State Agencies.

Vickie Hall

Vice President/Associate General Counsel
1201 Elm Street, Suite 3500 Dallas, TX 75270
214.953.8874
vickie.hall@hilltopsecurities.com

Areas of Focus

Municipal leasing and legal counsel

Profile

- Joined FirstSouthwest in 2003
- Responsible for preparation of offering documents in connection with lease transactions
- Reviews and prepares lease and master lease documents
- Analyzes legal issues
- Coordinates with bond counsel and underwriter counsel when applicable
- Previously specialized in public finance, serving as bond counsel and underwriters counsel in tax-exempt and taxable general obligation issuance

Education

- Bachelor of Science in Public Administration, University of Houston
- Juris Doctor, University of Houston Law Center

Licenses Held

- Registered Representative of the Financial Industry Regulatory Authority (FINRA)
  - General Securities Representative, Series 7
  - Municipal Advisor Representative, Series 50
  - Municipal Securities Principal, Series 53
  - Uniform Securities Agent, Series 63
  - Investment Banking Representative, Series 79

Steven D. Johnson

Managing Director
1201 Elm Street, Suite 3500
Dallas, TX 75270
214.953.4005
steven.d.johnson@hilltopsecurities.com

Areas of Focus

Specializes in public finance with experience in fixed and variable rate structures, interest rate swaps and other derivative contracts

Profile

- Joined FirstSouthwest in 2004
- Has been in public finance since 1996
- Background includes structuring general obligation bond issues, refundings, single-family and multi-family housing programs, revolving loan fund and pooled loan programs, convention center and arena financings as well as other tax and revenue supported projects
- Has provided services for an array of diverse issuers such as the cities of Dallas, Atlanta, Memphis, Miami and Nashville; the State of North Carolina; the Commonwealth of Virginia; Arkansas Development Finance Authority; Vermont Housing Finance Agency; Harris County Hospital District; and Southern Methodist University
- Responsible for structuring more than $15 billion in municipal bonds since 1996

Education

- Bachelor of Business Administration in Finance and Economics, Augsburg College, Minneapolis
- Juris Doctor, William Mitchell College of Law, Minneapolis

Current Affiliations

- National Council of State Housing Agencies

Licenses Held

- Registered Representative of the Financial Industry Regulatory Authority (FINRA)
  - General Securities Representative, Series 7
  - Municipal Advisor Representative, Series 50
  - Uniform Securities Agent, Series 63
  - Investment Banking Representative, Series 79

Linda Noah

Accounting
1201 Elm Street, Suite 800 Dallas, TX 75270
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linda.noah@hilltopsecurities.com

Areas of Focus

Municipal leasing; accounting

Profile

- Joined FirstSouthwest in 2003
- Post-closing responsibilities include analysis and reconciliation of disbursement requests, tailoring lease payment invoices to meet the specific requests of the lessees, coordinating document flow and investment of funds, monitoring the timeliness of lease payments, and working closely with the Trustee and the lessee to facilitate the administration of the transactions

Education

- Bachelor of Science (cum laude), Oklahoma Christian University

Licenses Held

- Registered Representative of the Financial Industry Regulatory Authority (FINRA)
  - General Securities Representative, Series 7
  - Financial and Operations Principal, Series 27
  - Securities Agent, Series 63

G. References

Offerors must provide references from at least three (3) customers to whom the Offeror has provided services similar to the scope of services described in this RFP. A description of the services provided as well as the name, address, and phone number of a representative of the firm or entity for which the services were provided must be included. Documentation concerning recent issues is also required. The documentation shall include a description of the equipment purchased as well as the amount financed, the date financed, and the interest rate obtained. The representative must have adequate knowledge of the services provided to be able to discuss the services with the State.

Historically, FirstSouthwest has provided similar master lease services for many other lessees including the States of Kansas, Louisiana, North Carolina, and Ohio, and Arlington County, Virginia, and Montgomery County, Maryland, the following master lease programs best illustrate the full array of services that the firm provides.

State of Mississippi Master Lease Program for State Agencies

Vickie Hall and Linda Noah, through a previous employer, assisted the State of Mississippi in developing and implementing its multi-user Master Lease Purchase Program for State Agencies in the 1990's. After joining FirstSouthwest in 2003, the team continued to provide lease-purchase structuring and post-closing services for the Program until 2006, and later in 2011, when DFA awarded the Program to FirstSouthwest pursuant to competitive bid.

As outlined previously, FirstSouthwest surveys the state agencies and departments to determine their equipment financing needs on a routine basis throughout the year. When sufficient need has been established, and DFA has authorized FirstSouthwest to proceed, FirstSouthwest moves toward completing necessary documentation and arranging for competitive or negotiated sale of a series of publicly-offered securities. After funding, FirstSouthwest performs virtually all administrative, legal, account billing, and other functions that are required to maintain the Program in coordination with DFA. Amortization schedules and, when needed, invoices are customized to breakdown principal and interest for each piece of equipment and often, by department, to streamline the State's administrative functions. Since its inception the Program has funded more than $192 million for various types of equipment for participating State Agencies, including, but not limited to, farming equipment such as backhoes, tractors, loaders, and forklifts; radio equipment, aircraft, computer mainframes and networks, software, energy efficiency projects and a variety of rolling stock. The Agencies have lease-purchased over $35 million in equipment under the Program since FirstSouthwest was re-selected as financial advisor for the Program in 2011. A list of the Series completed since 2011 in connection with the Program, including a description of equipment purchased as well as the amount financed, the date financed and the interest rate obtained, is attached as ***Appendix D.***

The State legislatively provides for the use of publicly-offered, rated lease revenue certificates of participation to finance the Program. When market conditions favor negotiated sales, the Program can be funded through a negotiated underwriting, and most recently, through a private-placement.

State of Mississippi
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State of Mississippi Master Lease Program for School Districts and Community College Districts

Vickie Hall and Linda Noah, through a previous employer, assisted the State of Mississippi in developing and implementing its Master Lease Purchase Program for School Districts and Community College Districts (the "School District Program") in 2001. After joining FirstSouthwest in 2003, the team continued to provide lease-purchase structuring and post-closing services for the School District Program until 2006 and again in 2011, when DFA awarded the School District Program to FirstSouthwest pursuant to competitive bid.

The School District Program shares many similarities with the master lease program for state agencies. It is financed through the issuance of multiple series of competitively-bid or negotiated, publicly-offered or privately-placed COPs. Through the Master Lease Purchase Agreements between FirstSouthwest Leasing, as lessor, and the State of Mississippi Department of Finance and Administration, as lessee, approximately 30 school districts and 5 community college districts have utilized over $10 million to finance various equipment since 2011. A list of the Series completed since 2006 in connection with the School District Program, including a description of equipment purchased as well as the amount financed, the date financed and the interest rate obtained, is attached as ***Appendix D.***

The State legislatively provides for the use of publicly-offered, rated lease revenue certificates of participation to finance the District Program. When market conditions favor negotiated sales, the District Program can be funded through a negotiated underwriting, and most recently, through a private-placement.

State of Mississippi
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Mississippi Institutions of Higher Learning

Vickie Hall and Linda Noah, through a previous employer, assisted the Board of Trustees of the Mississippi Institutions of Higher Learning ("MIHL") in developing, implementing and maintaining a master lease program (the "MIHL Program") for the eight universities governed by MIHL. After joining FirstSouthwest in 2003, the team has continuously provided lease-purchase structuring and post-closing services for the MIHL Program.

Similar in structure to the Programs, the MIHL Program provides lease-purchase financing for essential use equipment through the sale of negotiated or competitively-bid securities. FirstSouthwest performed virtually all administrative, legal, account billing, and other functions that are required to maintain the MIHL Program in coordination with the Deputy Commissioner of Finance and Administration for MIHL. Since its inception, the Program has provided over $150 million in lease purchase financing for the Universities; including but not limited to, scientific and research equipment; medical equipment; classroom and dormitory furnishings; offset printing presses; farming implements and equipment; aircraft; computers, printers, scanners, copiers, servers, routers, networks and other technology; software; energy efficiency projects and a variety of rolling stock. The Universities have lease-purchased approximately $31 million in equipment under the Program since 2006. A list of the Series completed since 2006 in connection with the MIHL Program, including a description of equipment purchased as well as the amount financed, the date financed and the interest rate obtained, is attached as *Appendix D*.

Lease purchase financing for the Universities is a good example of the flexibility offered by the structure of the current master lease programs. While researching issues in connection with the sale of Series 2006A for the Universities in spring 2006, FirstSouthwest discovered that the statutory authority for the MIHL Program had been repealed during the 2005 legislative session, effective April 2005. Several telephone conferences among FirstSouthwest, the Special Assistant Attorney General for the State, MIHL administration and DFA determined that MIHL would not have the authority to continue its lease purchase program until such time as the program was legislatively reinstated. FirstSouthwest coordinated with the Universities, MIHL and DFA to restructure the MIHL Program under DFA's program for state agencies to accommodate equipment acquisitions until MIHL's lease-purchase authorization was restored during the 2007 legislative session. In fact, MIHL has not assembled a series under its own master lease program since its last series in 2011. Universities wanting to acquire equipment by lease-purchase have joined in with DFA's Program since 2012.

For information on recent MIHL acquisitions under the State's Program, please contact:

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hjohnson@mississippi.edu

H. Master Equipment Leases

Offerors must submit a list of master equipment leases undertaken during the past three (3) years, grouping those from $1-to-$5 million and from over $5 million to $10 million. Information must include lessee name, equipment amount, method by which the lease was financed and an indication whether the lease was rated or insured.

A list of master leases undertaken since 2011 is attached as *Appendix E*.

I. Legal Concerns

Offerors must submit a detailed explanation of any legal, financial or other concerns which would pertain to the following situations: (a) lease purchase of an airplane, (b) funds remaining in an acquisition account for three years, (c) pay off prior to the final scheduled payment date, and (d) change orders which require additional funding for previously funded projects. This should include any additional forms, records or approvals which must be considered for items (a) – (d). It is the intent of this requirement to ascertain the Offeror's general knowledge of issues which have or may develop under the Program.

(a) Lease purchase of an airplane – The Master Lease and the related User Agreement will be revised to include covenants and representations to be made on behalf of the Agency that the Agency will maintain and operate the aircraft in accordance with rules and regulations promulgated by the Federal Aviation Administration ("FAA"). FirstSouthwest obtains the services of attorneys that specialize in working with the Office of the General Counsel of the FAA. Local counsel will record the Master Lease, User Agreement and Trust Agreement with the FAA to perfect the Trustee's security interest in the aircraft. At that time, local counsel will obtain an appropriate legal opinion from the Office of the General Counsel of the FAA. FirstSouthwest will also use the services of local counsel to seek and obtain aircraft title searches and to arrange for the termination of any existing liens on an aircraft. FirstSouthwest has structured lease-purchase finance for aircraft for the Mississippi Institutions of Higher Learning, the State of Mississippi, the State of Arizona, the State of Oklahoma, the State of Utah and the State of North Carolina.

(b) Funds remaining in an acquisition account for three years – FirstSouthwest maintains an on-going balance for each acquisition account with respect to the individual Participating Users. FirstSouthwest periodically, and upon request, advises the individual Participating Users as to its options with respect to disposition of funds in the acquisition account, *i.e.,* as a credit to the next lease payment, for the purchase of additional equipment, or to prepay lease obligations. FirstSouthwest currently reconciles the acquisition and certificate fund accounts, providing a "check and balance" for the Trustee, which results in a reduction of trustee fees for the Program.

The firm's arbitrage rebate compliance services practice ("FirstSouthwest Asset Management, LLC" or "FSAM") is one of the largest in the U.S. Since 1987, the firm has focused exclusively on Internal Revenue Service compliance to assist its clients in preserving the tax-exempt status of their bond issues. FSAM provides arbitrage rebate calculations to determine if funds must be rebated to the federal government pursuant to the Internal Revenue Code. FSAM's services are provided under a separate contract and at DFA's expense. The prices quoted in this proposal do not include a component for arbitrage rebate calculations.

(c) Pay off prior to the final scheduled payment date - Each Participating User typically has the right to purchase the equipment and pay off its obligations prior to the final scheduled payment date of the User Agreement. Although the terms of the agreement are negotiable, a Participating User can usually pay its entire obligation on any payment date that is one or two years after the date of the agreement by paying the "Purchase Option Price" identified on the payment schedule, and any lease payment then due. The Purchase Option Price is comprised of the remaining principal balance and a proportionate amount of the unamortized costs of issuance of the series.

The Agencies will also have the right to make partial prepayments, and FirstSouthwest will calculate the appropriate Purchase Option Price. Upon payment in full, or if a partial prepayment fully prepays a specific item of equipment, upon the partial prepayment, FirstSouthwest will arrange for appropriate release of lien documents to be prepared and filed, if any.

If a Participating User opts to purchase equipment or to prepay its obligations prior to the first permitted prepayment date (as defined in each User Agreement), the Participating User has the right to defease its obligations. To defease under the User Agreement, the Participating User will deposit funds which, together with any anticipated investment earnings, will be sufficient to continue to pay the scheduled lease obligations until the first permitted prepayment date. FirstSouthwest will assist the Participating User to verify the amounts required to defease its obligations under the User Agreement.

An interesting approach to prepaying a Participating User's obligations under the User Agreement occurred in June 2016. Due to budget cuts, a Participating User wanted to pay in advance its two remaining payments. Working with the Trustee and the Participating User, FirstSouthwest facilitated a transaction where the Participating User wired an amount equal to its remaining two payments, to the Trustee. The Trustee will hold the funds in the Certificate Payment Account pending a direction to withdraw therefrom an amount equal to the Participating User's October payment and later, the final April 2017 payment.

(d) Change orders which require additional funding for previously funded projects - The typical lease purchase agreement contains provisions to the effect that, if financed equipment is added to, modified, improved, or upgraded, those improvements are deemed to be a part of the original financed equipment. The improvements now secures the lien of the original lessor and the original investors. If a second financing is required to raise funds for the improvements, the new investors cannot have a priority lien position because two identical liens on the same equipment cannot exist. As this situation arises, FirstSouthwest is available to advise the Participating User and DFA on a case-by-case basis. FirstSouthwest may need to consult with the rating agency or credit enhancer, if applicable, of the existing lease to determine the criteria of those companies. In some instances, such as computer systems development, the ultimate solution may be that the existing lease is prepaid from the proceeds of a new lease with increased funding for the change orders.

J. Suggested Checklist

Offerors must submit a suggested check list containing occurrences the State should consider concerning market conditions and the timing of financial transactions.

The following is a suggested checklist for occurrences the State should consider pertinent to the timing of its lease purchase transactions.

- Key economic news – globally, United States and State
- Timing of other State issues
- Forward Calendar for municipal issues
- Interest rate trends; FOMC meetings and news
- Pending legislation at both the state and federal levels
- Differences in the movements between the taxable and tax-exempt interest rate markets as outlined above

K. Program Limitations

Offerors must submit a list of all program limitations to include, but not limited to, types of equipment and/or software which will not be covered by the agreement, minimum dollar amounts per transaction, and requirements for cross-collateralization of equipment within a District and State Agency and between Districts and State Agencies.

Generally speaking, FirstSouthwest has no limitations on its ability to structure a lease obligation for essential governmental use equipment with the exception of large financings for certain park and recreational equipment. FirstSouthwest believes that the public markets provide more access to financing for certain types of equipment such as software and other more complex "project" type financings.

FirstSouthwest would recommend caution when setting the financing term for "energy-efficiency" type equipment or retrofits. Vendors often recommend relatively longer financing periods, such as 15 or 20 years, for these projects. Technology changes so quickly that the financed equipment is sometimes obsolete years before the lease term is complete.

To create the economies of scale that should exist in a multi-user lease program, a series of COPs should approach between $2.5 and $3 million. While the Program does not have a minimum dollar, if the series is less than $2.5 or $3 million, FirstSouthwest may recommend that financing options other than COPs are utilized.

The Master Lease and the User Agreements will not contain provisions for cross-collateralization of equipment between Participating Users and between series.

L. Calendar of Events

Offerors must submit a calendar of events from Contract Award to first financing. This calendar should include estimated dates and events which must take place prior to the initial financing.

Suggested Closing Schedule for a Competitive Sale of State of Mississippi Lease Revenue Certificates of Participation)

The following is an optimal timetable and assumes a competitively-bid series of COPs under the documentation for the existing Program; note, however, that the schedule is subject to change based on a number of factors. For instance, the time period between distribution of the demand survey and the deadline to return the survey forms may be decreased or increased, which affects the final timing of the series.

Ongoing

As necessary, FirstSouthwest will conduct informational/educational one-on-one Participating User meetings.

Week 1

Prepare and distribute Demand Survey to Participating Users

Week 3

- Deadline for Participating Users to return demand survey forms. Deadline for collecting equipment descriptions from Participating Users
- Draft documents distributed to DFA, rating agency, insurer (if required), special tax counsel, trustee, Participating Users and Office of the Attorney General
- Draft notice to The Bond Buyer
- Qualification with Sure-Bid
- Submit draft preliminary offering circular to I-deal

Week 4

- Notice published in The Bond Buyer
- I-deal electronically distributes the Preliminary Offering Circular to prospective underwriters

Week 5

- Coordinate with the Office of Bond Advisory to conduct competitive sale of the COPs. Receive bids, calculate results; make award
- Contact winning underwriter. Obtain Underwriter's Certificate. Confirm number of final offering circulars needed and delivery addresses
- Prepare final offering circulars, submit to I-deal for printing and distribution
- Amortization Schedules are prepared and incorporated into the final documents. Coordinate with DFA to schedule pre-closing

Week 6

- Preclose in Jackson, Mississippi, typically the day before settlement
- Settlement and Funding

Post-Closing

- Copy, assemble and distribute closing transcripts
- File Form 8038-G with Internal Revenue Service
- Complete and file UCC Financing Statements

Note that the above schedule can be condensed for an unrated or privately-placed series.

M. Funding Options

Offerors must submit a complete description of the method or methods that will be used to obtain funding. This description shall explain how interest rates will be determined (sealed bid, negotiation, etc.) and shall fully describe how the State will be able to assure that the interest rates are competitive in the market and represent a good rate for the Districts and State Agencies. If multiple methods are proposed, the Offeror shall describe the circumstances which would require the use of the various methods.

The majority of the equipment acquisitions under the Program have been funded by offering series of COPs through a sealed-bid, competitive sale process or, alternatively, through negotiated sale. Each competitive series will be awarded to the underwriter or underwriting group with the lowest True Interest Cost or "TIC", as determined by the financial advisor and the State's Bond Advisory Division. In some instances, a bidder will include a syndicate composed of multiple firms, comparable to the State's general obligation bond sales.

The municipal marketplace has been very responsive to the State's Master Lease Program. In a competitive offering, FirstSouthwest publishes a notice of sale in The Bond Buyer, arranges for the distribution of a Preliminary Offering Circular, and personally contacts potential bidders prior to each sale.

The State has received a consistently high level of success in both competitive and negotiated sales, due to the State's strong credit perception in the market as well as a developed market for lease revenue certificates.

Rates on the each series typically have been 10 basis points off the Municipal Market Data insured scale. This rate is favorable for securities with a short call protection period and reflects the market's confidence in the State's master lease programs as well as the State's strong credit rating. FirstSouthwest will continue to monitor the Program to ensure that it complies with the stringent criteria established by the rating agencies.

While other types of financing are available, it has been FirstSouthwest's experience that securitizing the leases (that is, converting the leases into securities) and selling participations in the lease revenue stream in the form of the COPs, is an efficient and cost-effective method for these types of lease programs. A well-established market exists for the State's COPs; historically, the State has received a favorable interest rate by offering tax-exempt securities sold in the public markets.

Aggregating the equipment needs of several Participating Users and funding into an Acquisition Fund enhances the Program by locking in interest rates in a favorable interest rate environment rather than depending on an index for the acquisition of individual items of equipment. Institutional investors, such as banks or insurance companies, sometimes propose a lease pricing structure that is indexed to treasury notes and bid as a higher percentage of the taxable treasury note rates when rates are lower, as opposed to a lower percentage when rates are higher. Indexing a lease program can be potentially detrimental if interest rates are low at the inception of the lease program and subsequently increase.

Even in the best of markets with a recognized credit, there may exist economic or other market factors that indicate a negotiated sale would be more beneficial to the State than would a competitively-bid sale. FirstSouthwest will analyze market conditions to determine whether a negotiated sale is warranted over conducting a competitive bid. Market factors will be discussed with DFA and a final sale method will be suggested and discussed, then selected by DFA.

As a comparison, consider the recent Series 2016A. The State wanted to give local banks the opportunity to bid on the Program and State opted to finance the Series 2016A equipment through the sale of unrated, privately-placed COPs, competitively-bid by local banks. As the series was unrated, the cost of issuance was decreased by the lack of rating fees. Bidders were given the option to bid with or without the requirement of a debt service reserve fund. The successful bidder did not require a reserve fund, so that the State did not have to raise an additional $361,500 (estimated) for the reserve fund. Assuming market rates on the day of pricing, the all-in-cost comparison is fairly close (2.21 for the public sale compared to 2.20 for the private placement). However, the lease rates were 46 basis points higher on the hypothetical public sale (2.71% vs. 2.25% for the 5-year term and 2.47% vs. 2.06 for the 3-year term), due to the negative carry cost on the reserve fund. In hard dollars, the State will pay an estimated $130,000 overall less in interest costs, as well as lower issuance costs (no rating fees, no underwriters' spread, no costs to produce, print and distribute the offering documents). Bottom line, while the difference in yield to the investors is minimal, the net result to the State in terms of dollars saved is significant.

In addition to dollar savings, the negotiated privately-placed option offers savings in time. Being able to negotiate with a local buyer and "pull the trigger" when conditions are favorable is another win.

State of Mississippi

Appendix A

Proposal Transmittal Form

Appendix A

FirstSouthwest
A Division of Hilltop Securities.

Appendix A - Proposals Transmittal Form

Name of Offeror:	First Southwest, a Division of Hilltop Securities Inc.
Contact Person and Title:	Vickie Hall, Vice President
Location of Principal Place of Business:	1201 Elm Street, Suite 3500 Dallas TX 75201
Location of place of performance if different from above:	Same as above
Phone:	214.953.8874
Age of Offeror's Business:	Since 1972
Average number of employees for each of the last three years:	**(1)** 975 as of 1/2016 **(2)** HilltopSecurities merged with Southwest Securities, Inc. (1972) and First Southwest Company, LLC (1946) in January **(3)** 2016. No historical data exists.
Fax:	214.953.4050
Mailing Address:	same
E-mail Address:	vickie.hall@hilltopsecurities.com

IMPORTANT
Include all items set forth in Section 4.1

Contingency:
I represent that as a part of our bid or Proposal that the Offeror **has / has not** (circle applicable word or words) retained any person or agency on a percentage, commission, or other contingent arrangement to secure this contract

Authority to Bind Offeror:

By my signature below, I hereby represent that I am authorized to and do bind the Offeror to the provisions of the attached Proposals. The undersigned offers and agrees to perform the specified requirements in accordance with provisions set forth in the Request for Proposals. Furthermore, the undersigned fully understands and assures compliance with the Conditions of Solicitation and Standard Terms and Conditions contained in the RFP. The undersigned is fully aware of the evaluation criteria to be utilized in awarding the contract.

The Offeror certifies that the fee(s) proposed in response to the solicitation has been arrived at independently and without any consultation, communication, or agreement with any other Offeror or competitor relating to those prices, the intention to submit Proposals, or the methods or factors used to calculate the fee(s) stated herein.

Vickie Hall, Vice President
Authorized Signature

Date July 7, 2016

Proposals Due: **July 7, 2016**, no later than **2:00 PM** Central Standard Time

US MAIL OR HAND DELIVERED

Ross Campbell, Director, Marketing and Audit
Office of Purchasing, Travel and Fleet Management
Proposal for Financial Accounting Advisor for Master Lease Purchase Programs for K-12 School Districts and Community and Junior College Districts and State Agencies
RFP #3120000726
Department of Finance and Administration
701A Woolfolk State Office Building
501 North West Street
Jackson, Mississippi 39201

State of Mississippi

Appendix B

Sample Equipment Questionnaire

Appendix B

FirstSouthwest
A Division of Hilltop Securities.

Mississippi State Agency
Equipment Lease/Purchase Planning Form

Date: ______________________ Contact: ______________________

State Agency: ______________________ Telephone: ______________________

Address: ______________________ Fax: ______________________

______________________ Email: ______________________

______________________ Federal Taxpayer Number: ______________________

District/ Division	Type of Equipment	Quantity	Estimated Unit Cost	Estimated Total Cost	Requested Term of Financing	Anticipated Installation Date	Anticipated Acceptance Date	Purchase Order Number	Estimated Delivery Time (Days)	Bid or on State Contract
	Total Estimated Cost									

State of Mississippi

Appendix C

Hilltop Securities Inc. 2015 Audited Financial Statement

Appendix C

FirstSouthwest
A Division of Hilltop Securities.

HilltopSecurities
A Hilltop Holdings Company

Hilltop Securities Inc.

Statement of Financial Condition
For the Year Ended December 31, 2015
With Report of Independent Registered Public Accounting Firm

Filed pursuant to Rule 17a(3)(3) under the
Securities Exchange Act of 1934
as a PUBLIC DOCUMENT

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	March 31, 2016
Estimated average burden hours per response......	12.00

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER
8-

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2015 AND ENDING December 31, 2015
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Hilltop Securities Inc

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1201 Elm Street, Suite 3500
(No. and Street)

Dallas, TX 75270
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Laura Leventhal 214-859-1026

(Area Code – Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
PricewaterhouseCoopers
(Name – *if individual, state last, first, middle name*)

2001 Ross Ave, Suite 1800, Dallas, TX 75201
(Address) (City) (State) (Zip Code)

CHECK ONE:

X Certified Public Accountant

Public Accountant

Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

**Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)*

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Robert W. Peterson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Hilltop Securities Inc., as of December 31, 2015 ____, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

VILMA IDALIA GALVAN
Notary Public, State of Texas
My Commission Expires
February 17, 2018

Robert W. Peterson
Signature

President and Chief Executive Officer
Title

Vilma Idalia Galvan
Notary Public

This report ** contains (check all applicable boxes):

X (a) Facing Page.
X (b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
X (l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

***For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).*

pwc

Report of Independent Registered Public Accounting Firm

To the Board of Directors of Hilltop Securities Inc.

In our opinion, the accompanying statement of financial condition presents fairly, in all material respects, the financial position of Hilltop Securities Inc. (the "Company") at December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. The statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on the statement of financial condition based on our audit. We conducted our audit of this statement in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition, assessing the accounting principles used and significant estimates made by management, and evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

February 24, 2016

PricewaterhouseCoopers LLP, 2001 Ross Avenue, Suite 1800, Dallas, Texas 75201
T: (214) 999 1400, F: (214) 754 7991, www.pwc.com/us

Hilltop Securities Inc.
Statement of Financial Condition
December 31, 2015

(dollars in thousands, except par and redemption values)

Assets		
Cash	$	19,083
Assets segregated for regulatory purposes		60,593
Receivable from brokers, dealers and clearing organizations		1,399,160
Receivable from clients, net of allowance of $99		290,156
Securities owned, at fair value		168,306
Securities purchased under agreements to resell		89,184
Customer intangible, net of accumulated amoritazation of $973		6,327
Fixed assets, at cost, less accumulated depreciation of $2,725		7,034
Net deferred tax asset		11,160
Other assets (including $56 due from affiliates)		33,967
Total assets	$	2,084,970
Liabilities and Stockholder's Equity		
Payable to brokers, dealers, and clearing organizations	$	1,275,182
Payable to clients		324,009
Drafts payable		24,562
Securities sold, not yet purchased, at fair value		130,008
Securities sold under agreements to repurchase		53,091
Accrued expenses and other liabilities (including $4,571 due to affiliates)		40,223
		1,847,075
Stockholder's equity:		
Series A preferred stock, $20 par value, $1,000 redemption value; authorized 100,000 shares; no shares issued and outstanding		-
Class A voting common stock of $1 par value; authorized 10,000 shares; issued and outstanding 2,820 shares		3
Class B nonvoting common stock of $1 par value; authorized 10,000 shares; none issued		-
Additional paid-in capital		254,308
Accumulated deficit		(16,416)
		237,895
Total liabilities and stockholder's equity	$	2,084,970

The accompanying notes are an integral part of this financial statement.

(dollars in thousands, except par and redemption values)

1. Organization

On October 5, 2015, Southwest Securities, Inc. was renamed Hilltop Securities Inc. (the "Company"). The Company, a Delaware Company and a wholly owned subsidiary of Hilltop Securities Holdings LLC ("Securities Holding"), a wholly owned subsidiary of Hilltop Holdings Inc. ("Parent"). The Company is a New York Stock Exchange ("NYSE") member broker/dealer, a registered investment advisor and a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is registered with the Securities and Exchange Commission (the "SEC") as a broker/dealer under the Securities Exchange Act of 1934 ("Exchange Act") and as a registered investment advisor under the Investment Advisors Act of 1940. The Company is also registered with the Commodity Futures Trading Commission ("CFTC") as a non-guaranteed introducing broker and is a member of the National Futures Association ("NFA").

Pursuant to the SEC Rule 11(a) of the Exchange Act, over 50% of the Company's revenues are comprised of Section 11(a) items, indicating the Company is primarily engaged in trading on behalf of customers.

Merger with Parent. On January 1, 2015, the Parent completed the acquisition of the Company. The merger was accounted for using the acquisition method of accounting, and accordingly, purchased assets, including identifiable intangible assets, and assumed liabilities were recorded at their respective acquisition date fair values. The resulting fair values of the identifiable assets acquired, and liabilities assumed at January 1, 2015 are summarized in the following table:

Assets		
Cash	$	8,994
Assets segregated for regulatory purposes		181,609
Receivable from brokers, dealers and clearing organizations		1,293,614
Receivable from clients		235,964
Securities owned, at fair value		265,086
Securities purchased under agreements to resell		44,741
Customer Intangible		7,300
Fixed assets		7,239
Net deferred tax asset		3,291
Other assets		28,449
Total assets	$	2,076,287
Liabilities and Stockholder's Equity		
Short-term borrowings	$	126,370
Payable to brokers, dealers, and clearing organizations		1,110,747
Payable to clients		349,533
Drafts payable		25,913
Securities sold, not yet purchased, at fair value		140,409
Securities sold under agreements to repurchase		43,240
Accrued expenses and other liabilities		32,196
		1,828,408

(dollars in thousands, except par and redemption values)

Commitments and contingencies		
Stockholder's equity:		
Series A preferred stock, $20 par value, $1,000 redemption value; authorized 100,000 shares; no shares issued and outstanding		-
Class A voting common stock of $1 par value; authorized 10,000 shares; issued and outstanding 2,820 shares		3
Class B nonvoting common stock of $1 par value; authorized 10,000 shares; none issued		-
Additional paid-in capital		247,876
		247,879
Total liabilities and stockholder's equity	$	2,076,287

The Parent used significant estimates and assumptions to value certain identifiable assets acquired and liabilities assumed in the merger.

2. Summary of Significant Accounting Policies

Securities Transactions
Proprietary securities transactions are recorded on trade date, as if they had settled. Clients' securities and commodities transactions are reported on a settlement date basis with related commission income and expenses reported on a trade date basis.

Marketable securities are valued at fair value, based on quoted market prices, and securities not readily marketable are valued at fair value as determined by management. The increase or decrease in net unrealized appreciation or depreciation of securities owned is credited or charged to operations and is included in net gains on principal transactions in the statement of operations. Interest income is recorded on these securities when earned.

Fixed Assets and Depreciation
Fixed assets are comprised of furniture and equipment ($5,772) and leasehold improvements ($3,987) which are stated at cost. Depreciation of furniture and equipment is provided over the estimated useful lives of the assets (from three to seven years), and depreciation on leasehold improvements is provided over the shorter of the useful life or the lease term (up to fifteen years) using the straight-line method. Additions, improvements and expenditures for repairs and maintenance that significantly extend the useful life of an asset are capitalized. Other expenditures for repairs and maintenance are charged to expense in the period incurred.

Customer Intangible
In connection with the merger, the Company recorded a customer relationship intangible which is being amortized over a 14 year period at a rate based on the sum of the years digits.

Resale and Repurchase Agreements
Transactions involving purchases of securities under agreements to resell (reverse repurchase agreements or reverse repos) or sales of securities under agreements to repurchase (repurchase agreements or repos) are accounted for as collateralized financings. It is the policy of the Company to obtain possession of

collateral with a fair value equal to or in excess of the principal amount loaned under resale agreements. Collateral is valued daily, and the Company may require counterparties to deposit additional collateral or return collateral pledged when appropriate. Interest payable on these amounts is included in the Statement of Financial Condition in other liabilities.

Securities Lending Activities
Securities borrowed and securities loaned transactions are generally reported as collateralized financings. Securities borrowed transactions require the Company to deposit cash, letters of credit, or other collateral with the lender. With respect to securities loaned, the Company receives collateral in the form of cash in an amount generally in excess of the fair value of securities loaned. The Company monitors the fair value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary. Securities borrowed and securities loaned transactions are recorded at the amount of cash collateral advanced or received adjusted for additional collateral obtained or received. Interest on such transactions is accrued and included in the Statement of Financial Condition in receivables from and payables to brokers, dealers and clearing organizations.

Drafts Payable
In the normal course of business, the Company uses drafts to make payments relating to its brokerage transactions. These drafts are presented for payment through an unaffiliated bank and are sent to the Company daily for review and acceptance. Upon acceptance, the drafts are paid and charged against cash.

Cash Flow Reporting
For purposes of the statement of cash flows, the Company considers cash to include cash on hand and in bank accounts. In addition, highly liquid debt instruments purchased with maturities of three months or less, when acquired, are considered to be cash equivalents. The Federal Deposit Insurance Corporation ("FDIC") insures deposit accounts up to $250. At December 31, 2015, the cash balances included $17,828 that was not federally insured because they exceeded federal insurance limits. This at-risk amount is subject to fluctuation on a daily basis, but management does not believe there is significant risk on these deposits.

Income Taxes
The Company files a consolidated federal income tax return with its Parent. For purposes of these financial statements, income taxes are computed on the benefits-for-loss method.

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Fair Value of Financial Instruments
Fair value accounting establishes a framework for measuring fair value. Under fair value accounting, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date in the principal market in which the reporting entity transacts. Further, fair value should be based on the assumptions market participants

would use when pricing the asset or liability. In support of this principle, fair value accounting establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data. Under the standard, fair value measurements are separately disclosed by level within the fair value hierarchy.

The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 — Quoted prices in an active market for identical assets or liabilities. Assets and liabilities utilizing Level 1 inputs include certain inventories held in the Company's securities owned and securities sold, not yet purchased portfolio. Valuation of these instruments does not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available.

- Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities in active markets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Assets and liabilities utilizing Level 2 inputs include certain inventories held in the Company's securities owned and securities sold, not yet purchased portfolio and the Company's commitments to purchase and sell "to-be-announced" derivative securities. These financial instruments are valued by quoted prices that are less frequent than those in active markets or by models that use various assumptions that are derived from or supported by data that is generally observable in the marketplace. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying observable market assumptions.

- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Assets and liabilities utilizing Level 3 inputs include certain inventories held in the Company's securities owned portfolio. These financial instruments have significant inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Condition, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Securities Owned and Securities Sold, Not Yet Purchased Portfolio (including the Company's derivative "to-be-announced" securities). Securities classified as Level 1 securities primarily consist of financial instruments whose value is based on quoted market prices in active markets such as corporate equity securities and U.S. government and government agency obligations primarily in U.S. treasury securities.

Securities classified as Level 2 securities include financial instruments that are valued using models or other valuation methodologies. These models are primarily industry standard models that consider various assumptions, including time value, yield curve, volatility factors, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Securities in this category include corporate obligations, U.S. government and government agency obligations, municipal obligations and the Company's commitments to purchase and sell "to-be-announced" derivative securities.

Securities classified as Level 3 securities are securities whose fair value is estimated based on internally developed models or methodologies, including discounted cash flow, utilizing significant inputs that are generally less readily observable. The models and methodologies considered the quality of the underlying loans, any related secondary market activity and expectations regarding future interest rate movements. Included in this category are certain corporate bonds.

Substantially all of the Company's financial assets and liabilities are carried at fair value or at amounts which, because of their short-term nature, approximate current fair value.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the recorded amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Assets Segregated For Regulatory Purposes

At December 31, 2015, the Company held cash of $60,593 segregated in special reserve bank accounts for the exclusive benefit of customers under Rule 15c3-3 under the Securities Exchange Act of 1934 ("Exchange Act Rule 15c3-3").

(dollars in thousands, except par and redemption values)

4. Receivable From and Payable to Brokers, Dealers and Clearing Organizations

At December 31, 2015, the Company had receivable from and payable to brokers, dealers and clearing organizations related to the following:

Receivable:		
Securities failed to deliver	$	21,715
Securities borrowed		1,270,713
Correspondent broker/dealers		51,278
Clearing organizations		48,213
Other		7,241
	$	1,399,160
Payable:		
Securities failed to receive	$	24,296
Securities loaned		1,224,912
Correspondent broker/dealers		21,292
Other		4,682
	$	1,275,182

Securities failed to deliver and receive represent the contractual value of securities that have not been delivered or received subsequent to settlement date.

The Company clears securities transactions for correspondent broker/dealers. Proprietary settled securities and related transactions for these correspondents are included in the receivable from and payable to brokers, dealers and clearing organizations. At December 31, 2015, the Company held collateral for the receivables from correspondents in the amount of $83,356.

The Company participates in the securities borrowing and lending business by borrowing and lending securities other than those of its clients. Securities borrowed and loaned represent deposits made to or received from other broker/dealers relating to these transactions. These deposits approximate the market value of the underlying securities. All open positions are adjusted to market values daily. The Company obtains or releases collateral as prices of the underlying securities fluctuate.

Certain securities lending arrangements may be eligible for offset in the statement of financial condition and /or subject to master netting arrangements or similar agreements. The following table provides information about these receivables and payables subject to an enforceable master netting arrangement or similar agreements with offsetting rights and related collateral amounts at December 31, 2015:

Description	Gross amounts of recognized assets/ liabilities	Gross amounts offset in the statement of financial position	Net amounts of assets presented in the statement of financial position	Gross amounts not offset in the statement of financial position: Financial instruments (2)	Cash Collateral	Net Amount
Securities Borrowed	$ 1,270,713	$ -	$ 1,270,713	$ (1,270,713)	$ -	$ -
Securities Loaned (1)	1,224,912	-	1,224,912	(1,224,912)	-	-

(1) Under securities lending agreements, the Company repledged $1,208,521.
(2) Amounts reflect fair value of underlying collateral.

Securities Lending Activities. The Company's securities lending activities includes lending securities for other broker/dealers, lending institutions and its own clearing and retail operations. These activities involve lending securities to other broker/dealers to cover short sales, to complete transactions in which there has been a failure to deliver securities by the required settlement date and as a conduit for financing activities.

When lending securities, the Company receives cash or similar collateral and generally pays interest (based on the amount of cash deposited) to the other party to the transaction. Securities lending transactions are executed pursuant to written agreements with counterparties that generally require securities loaned to be marked-to-market on a daily basis. The Company receives collateral in the form of cash in an amount generally in excess of the fair value of securities loaned. The Company monitors the fair value of securities loaned on a daily basis, with additional collateral obtained or refunded, as necessary. Collateral adjustments are made on a daily basis through the facilities of various clearinghouses. The Company is a principal in these securities lending transactions and is liable for losses in the event of a failure of any other party to honor its contractual obligation. The Company's management sets credit limits with each counterparty and reviews these limits regularly to monitor the risk level with each counterparty. HTS is subject to credit risk through its securities lending activities if securities prices decline rapidly because the value of HTS's collateral could fall below the amount of the indebtedness it secures. In rapidly appreciating markets, credit risk increases due to short positions. The Company's securities lending business subjects the Company to credit risk if a counterparty fails to perform or if collateral securing its obligations is insufficient. In securities transactions, the Company is subject to credit risk during the period between the execution of a trade and the settlement by the customer.

(dollars in thousands, except par and redemption values)

The following table presents the remaining contractual maturities of securities lending transactions accounted for as secured borrowings at December 31, 2015:

	December 31, 2015				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
Securities lending transactions					
Corporate securities	$ 36,149	$ -	$ -	$ -	$ 36,149
Equity securities	1,188,763	-	-	-	1,188,763
Total borrowings	$ 1,224,912	$ -	$ -	$ -	$ 1,224,912
Gross amount of recognized liabilities for securities lending					$ 1,224,912
Amount related to agreements not included in offsetting disclosure					$ -

5. Receivable From and Payable to Clients

Receivable from and payable to clients include amounts due on cash and margin transactions. Included in these amounts are receivable from and payable to noncustomers (as defined by Exchange Act Rule 15c3-3, principally officers, directors and related accounts), which aggregated approximately $1,665 and $2, respectively, at December 31, 2015. Securities accounts of noncustomers are subject to the same terms and regulations as those of customers. Securities owned by customers and noncustomers that collateralize the receivables are not reflected in the accompanying financial statements.

The Company pledges client securities as collateral in conjunction with the Company's securities lending activities. At December 31, 2015, the Company has approximately $386,633 of client securities under customer margin loans that are available to be pledged, of which the Company has repledged approximately $20,984 under securities loan agreements.

The Company pays interest on certain customer "free credit" balances available for reinvestment. The aggregate balance of such funds was approximately $282,802 at December 31, 2015. At December 31, 2015 and during the year ended December 31, 2015, the weighted average interest rate and the interest rate paid on these balances was 0.02%.

The Company maintains an allowance for doubtful accounts of $99 which represents amounts that, in the judgment of management, are necessary to adequately absorb losses from known and inherent risks in receivables from customers. Provisions made to this allowance are charged to operations. At December 31, 2015, all unsecured customer receivables had been provided for in this allowance.

(dollars in thousands, except par and redemption values)

6. Securities Owned and Securities Sold, not yet Purchased

At December 31, 2015, securities owned and securities sold, not yet purchased, both of which are carried at fair value, included the following:

		December 31 2015
Securities owned:		
U. S. Treasury securities:	$	20,481
U. S. government agencies:		
Bonds		36,264
Residential mortgage-backed securities		1
Collateralized mortgage obligations		264
Commercial mortgage-backed securities		32
Corporate debt securities		34,711
States and political subdivisions		45,826
Unit investment trusts:		
Corporate securities		6,044
Municipal securities		12,356
Private-label issuers:		
Mortgage-backed securities		5,475
Commercial mortgage-backed securities		2,174
Asset-backed securities		4,675
Equity securities		3
	$	168,306
Securities sold, not yet purchased:		
U. S. Treasury securities:	$	25,793
U. S. government agencies:		
Bonds		37,268
Residential mortgage-backed securities		1,000
Corporate debt securities		63,664
Unit investment trusts:		
Corporate securities		428
Private-label issuers:		
Equity securities		1,855
	$	130,008

(dollars in thousands, except par and redemption values)

At December 31, 2015, none of the above securities were pledged as security deposits at clearing organizations for the Company's clearing business. Additional securities have been pledged to secure short-term borrowings, see **Note 10.**

7. Derivative Financial Instruments

The Company enters into purchase and sale agreements of forward mortgage-backed securities whose collateral remains to-be-announced until just prior to the trade settlement, ("TBAs"). The Company enters into TBAs in order to assist clients (generally small to mid-size mortgage loan originators) in hedging the interest rate risk associated with the mortgages owned by the clients. In general, the Company will enter into a TBA purchase agreement with the client and then immediately enter into a TBA sale agreement with identical terms and the same settlement date with a separate counter-party. The TBAs are accounted for as derivatives under Accounting Standards Codification ("ASC") 815 "Derivatives and Hedging." The Company does not apply hedge accounting for these TBA securities. Accordingly, the securities are carried at fair value and recorded in Other Assets and Other Liabilities based on the nature of the security with unrealized and realized gains recorded in net gains on principal transactions on the Statement of Operations.

At December 31, 2015, the Company's derivative positions associated with its TBA program are presented below:

	Notional Amount	Estimated Fair Value
Commitments to purchase TBAs	$ 1,751,898	$ 1,113
Commitments to sell TBAs	1,751,898	(1,113)

8. Fair Value of Financial Instruments

The following table summarizes by level within the fair value hierarchy assets segregated for regulatory purposes, securities owned, at fair value and securities sold, not yet purchased, at fair value as of December 31, 2015:

	Level 1	Level 2	Level 3	Total
<u>ASSETS</u>				
Securities owned, at fair value				
U. S. Treasury securities:	$ 20,481	$ -	$ -	$ 20,481
U. S. government agencies:				
Bonds	-	36,264	-	36,264
Residential mortgage-backed securities	-	1	-	1
Collateralized mortgage obligations	-	264	-	264
Commercial mortgage-backed securities	-	32	-	32
Corporate debt securities	-	34,710	1	34,711

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	Level 1	Level 2	Level 3	Total
States and political subdivisions	$ -	$ 45,826	$ -	$ 45,826
Unit investment trusts:				
Corporate securities	-	6,044	-	6,044
Municipal securities	-	12,356	-	12,356
Private-label issuers:				
Mortgage-backed securities	-	5,475	-	5,475
Commercial mortgage-backed securities	-	2,174	-	2,174
Asset-backed securities	-	4,675	-	4,675
Equity securities	3	-	-	3
	$ 20,484	147,821	1	$ 168,306
Derivative financial instruments				
Commitments to purchase TBAs	$ -	$ 1,113	$ -	$ 1,113

	Level 1	Level 2	Level 3	Total
LIABILITIES				
Securities				
U. S. Treasury securities:	$ 25,793	$ -	$ -	$ 25,793
U. S. government agencies:				
Bonds	-	37,268	-	37,268
Residential mortgage-backed securities	-	1,000	-	1,000
Corporate debt securities	-	63,664	-	63,664
Unit investment trusts:				
Corporate securities	-	428	-	428
Equity securities	1,855	-	-	1,855
	$ 27,648	102,360	-	$ 130,008
Derivative financial instruments				
Commitments to purchase TBAs	$ -	$ 1,113	$ -	$ 1,113
Net assets	$ (7,164)	$ 45,461	$ 1	$ 38,298

(dollars in thousands, except par and redemption values)

The following table provides a reconciliation of the beginning and ending balances for the major classes of assets measured at fair value using significant unobservable inputs (Level 3):

	Corporate Equity Securities	Corporate Debt Securities	Total
Beginning balance at January 1, 2015	$ 475	$ 6,826	$ 7,301
Redemption/sale of security	(378)	(3,018)	(3,396)
Realized losses on sale of security	(97)	(3,781)	(3,878)
Purchase of security	-	-	-
Unrealized loss	-	(26)	(26)
Ending balance at December 31, 2015	$ -	$ 1	$ 1

At the end of each respective quarterly reporting period, the Company recognizes transfers of financial instruments between levels. During the year ended December 31, 2015, the Company did not have any transfers of financial instruments between levels.

Changes in unrealized gains (losses) and realized gains (losses) for corporate and municipal obligations and corporate equity securities are presented in net gains on principal transactions on the Statements of Operations. The total unrealized loss included in earnings related to assets and liabilities still held at December 31, 2015 for the year ended December 31, 2015 was $26.

In the year ended December 31, 2015, the Company sold the remaining 19 auction rate preferred securities valued at $475. Prior to December 31, 2015, the Company had held up to $1.8 million in Level 3 auction rate preferred securities, of which $1.4 million had been redeemed at par. The Company recognized losses of $97 from the sale of these securities. Also, in the year ended December 31, 2015, the Company sold corporate obligations valued at the time of sale at $3,018, recognizing losses on sale of $3,781.

The following table highlights, for each asset and liability measured at fair value on a recurring basis and categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs used in the fair value measurement as of December 31, 2015:

Asset/Liability	Fair Value	Valuation Technique(s)	Unobservable Inputs	Range (Weighted-Average)
Securities owned, at fair value				
Corporate debt securities	$ 1	Discounted cash flow	Discount rate	8%-17% (10%)

The Company holds corporate obligation bonds currently valued at $1. The corporate bonds are valued using a discounted cash flow model with observable market data, however, due to the distressed nature of these bonds, the Company has determined that these bonds should be valued at Level 3.

(dollars in thousands, except par and redemption values)

9. Securities Purchased/Sold Under Agreements to Resell/Purchase

At December 31, 2015, the Company held reverse repurchase agreements, collateralized by U.S. government and government agency obligations and securities sold under repurchase agreements. These securities are reported on a gross basis in the Statement of Financial Condition.

Securities sold under repurchase agreements, which are secured borrowings, generally mature within one to four days from the transaction date. Securities sold under repurchase agreements are reflected at the amount of cash received in connection with the transactions. The Company may be required to provide additional collateral based on the fair value of the underlying securities. The Company monitors the fair value of the underlying securities on a daily basis. Interest payable on these amounts is included in the Statement of Financial Condition in other liabilities.

Certain reverse repurchase and repurchase agreements may be eligible for offset in the statement of financial condition and /or subject to master netting arrangements or similar agreements. The following table provides information about these instruments subject to an enforceable master netting arrangement, repurchase agreements or similar agreements with offsetting rights and any related collateral amounts at December 31, 2015:

				Gross amounts not offset in the statement of financial position		
Description	**Gross amounts of recognized assets/ liabilities**	**Gross amounts offset in the statement of financial position**	**Net amounts of assets presented in the statement of financial position**	**Financial instruments [1]**	**Cash Collateral**	**Net Amount**
Reverse Repurchase Agreements	$ 89,184	$ -	$ 89,184	$ (88,936)	$ -	$ 248
Repurchase Agreements	53,091	-	53,091	(53,091)	-	-

[1] Amounts reflect fair value of underlying collateral.

(dollars in thousands, except par and redemption values)

The following table presents the remaining contractual maturities of repurchase agreements accounted for as secured borrowings at December 31, 2015:

	December 31, 2015				
	Remaining Contractual Maturity of the Agreements				
	Overnight and Continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
Repurchase agreements					
U.S. Treasury and agency securities	$ 53,091	$ -	$ -	$ -	$ 53,091
Total borrowings	$ 53,091	$ -	$ -	$ -	$ 53,091
Gross amount of recognized liabilities for repurchase agreements					$ 53,091
Amount related to agreements not included in offsetting disclosure					$ -

10. Short-Term Borrowings

Uncommitted lines of credit

The Company has credit arrangements with commercial banks, which include broker loan lines up to $650,000. These lines of credit are used primarily to finance securities owned, securities held for correspondent broker/dealer accounts, receivables in customers' margin accounts and underwriting activities. These lines may also be used to release pledged collateral against day loans. These credit arrangements are provided on an "as offered" basis and are not committed lines of credit. These arrangements can be terminated at any time by the lender. Any outstanding balances under these credit arrangements are due on demand and bear interest at rates indexed to the federal funds rate (0.20% at December 31, 2015). At December 31, 2015, there were no amounts outstanding under these credit arrangements.

At December 31, 2015, the Company had a $10,000 unsecured line of credit that is due on demand and bears interest at rates indexed to the federal funds rate. This credit arrangement is provided on an "as offered" basis and is not a committed line of credit. The total amount of borrowings available under this line of credit is reduced by the amount outstanding on the line and under any unsecured letters of credit at the time of borrowing. At December 31, 2015, there were no amounts outstanding on this line. At December 31, 2015, the total amount available for borrowing was $10,000.

Committed lines of credit

On January 28, 2011, the Company entered into an agreement with an unaffiliated bank for a $45,000 committed revolving credit facility. The commitment fee is 37.5 basis points per annum, and when drawn, the interest rate is equal to the federal funds rate plus 125 basis points. The agreement requires the Company to maintain a tangible net worth of at least $150,000. At December 31, 2015, there were no outstanding amounts under the committed revolving credit facility.

The Company pledges customer securities to the Option Clearing Corporation to support open customer positions. At December 31, 2015, the Company had pledged $101,744 to support these open customer positions.

(dollars in thousands, except par and redemption values)

On January 8, 2014, the Company entered into an agreement with SWS Group, Inc., the former parent of the Company, for a $30,000 promissory demand note. The Company pays interest on the note at the federal funds rate plus 125 basis points per annum. On December 31, 2014, the outstanding amount of the promissory note was $5,370. In January 2015, the Company paid the outstanding balance on the promissory note due to SWS Group, Inc., $5,370. In conjunction with this payment, the SWS Group, Inc. made a capital contribution of $5,445 to the Company. See **Note 13**.

11. Income Taxes

Income tax expense for the fiscal year ended December 31, 2015, (effective rate of 38.8%) differs from the amount that would otherwise have been calculated by applying the U.S. federal corporate tax rate (35%) to income before income taxes and is comprised of the following:

Income tax benefit at the statutory rate	$	(9,387)
Tax-exempt interest		(563)
Non-deductible meals and entertainment expenses		113
State income taxes, net of federal tax benefit		(571)
Other, net		5
	$	(10,403)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2015 are presented below:

Deferred tax assets:		
Bad debt reserve	$	4,103
Deferred income		2,574
Employee compensation plans		2,553
Built-in loss carryforward		3,859
State deferred taxes		785
Total gross deferred tax asset		13,874
Deferred tax liabilities:		
Intangible assets		(2,310)
Fixed assets		(129)
Other		(275)
Total gross deferred tax liability		(2,714)
Net deferred tax asset included in other assets	$	11,160

The Company assesses the ability to realize its deferred tax assets based upon the weight of available evidence, both positive and negative. To the extent the Company believes that it is more likely than not that some portion or all of the deferred tax assets will not be realized, the Company will establish a valuation allowance. The Company evaluated the realizability of its deferred tax assets and concluded, based on the Company's past history of profitability and future earnings projections, that a valuation allowance was not required.

(dollars in thousands, except par and redemption values)

At December 31, 2015, the Company had recognized built-in losses ("RBIL") of $3,859 from the 2015 merger with the Parent. The RBILs are expected to be fully realized prior to any expiration.

At December 31, 2015, the Company had no unrecognized tax benefits. A reconciliation of the beginning and ending amounts of unrecognized tax benefits is as follows:

Balance at January 1, 2015	$	37
Decreases as a result of tax positions taken during the current period		(9)
Increases as a result of tax positions taken during the current period		2
Lapse of applicable statute of limitations		(30)
Balance at December 31, 2015	$	-

There is no accrued interest and penalties, net of federal benefit included in the net liability at December 31, 2015. There is no amount of unrecognized income tax benefits that, if recognized, would reduce income tax expense.

With limited exception, the Company is no longer subject to U.S. federal, state or local tax audits by taxing authorities for years preceding 2012.

12. Net Capital Requirements

The Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule (the "Rule"), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method, permitted by the Rule, which requires that it maintain minimum net capital, as defined in Rule 15c3-1 under the Exchange Act, equal to the greater of $1,000 or 2% of aggregate debit balances, as defined in Exchange Act Rule 15c3-3. At December 31, 2015, the Company had net capital of approximately $154,796 which is approximately $147,034 in excess of its minimum net capital requirement of approximately $7,762 at that date. Additionally, the Rule provides that equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than 5% of aggregate debit items. At December 31, 2015, the Company had net capital of approximately $135,390 in excess of 5% of aggregate debit items.

13. Affiliate Transactions

The Company clears all customer transactions for Hilltop Securities Independent Network Inc. ("HTIN"), an affiliate. The Company also provides all accounting, administrative services, management services and office facilities to HTIN in accordance with an expense sharing agreement in the amount of $50 per year.

The Company, as clearing broker for its affiliate, has the right to charge customer losses back to the affiliate.

Clients and correspondents of the Company have the option to invest in a savings account called Bank Insured Deposits at the Company's banking affiliate, PlainsCapital Bank ("Bank"). These funds are FDIC insured up to $250.

(dollars in thousands, except par and redemption values)

The Company makes loans to employees, primarily financial advisors, mainly for recruiting and retention purposes. The amount of loans to employees is included in other assets in the Statement of Financial Condition in the amount of $21,764 for which the Company has recorded an allowance, included in other liabilities in the Statement of Financial Condition, of $3,212 for termed relationships.

The Company is named as the lessee for two leases which are subleased to the Bank. Additionally, the Company subleases office space and utilizes space in a property owned by the Bank for its business recovery centers.

In January 2014, the Parent loaned the Company $30,000 for use in its general operations, reducing the Company's use of short-term borrowings for the financing of its day-to-day cash management needs. This loan was paid off in January 2015. The Company paid interest at the fed funds rate plus 1.25%.

On the Statement of Financial Condition, the total receivable includes $28 from Southwest Insurance Agency, $27 from First Southwest Company LLC, a wholly owned subsidiary of Hilltop Securities, and $1 from the Parent. The total payable includes $3,377 to Hilltop Securities, HTIN is $713, including a clearing deposit of $300, which is reported in payable to brokers, dealers, and clearing organizations on the Statement of Financial Condition, $393 to Southwest Insurance Agency and $87 to the Bank.

14. Commitments and Contingencies

Leases. The Company leases its offices and certain equipment under noncancelable operating lease agreements. The Company recognizes escalating lease payments on a straight line basis over the term of each respective lease with the difference between cash payment and rent expense recorded as deferred rent and included in other liabilities in the Statements of Financial Condition. Rental expense relating to the facilities and equipment leases for the year ended December 31, 2015 aggregated approximately $7,624.

At December 31, 2015 the future rental payments for the noncancelable operating leases for each of the following five years and thereafter follows:

2016	$	6,227
2017		4,835
2018		5,176
2019		5,000
2020		5,034
Thereafter		3,763
	$	30,035

Underwriting. Through its participation in underwriting corporate and municipal securities, the Company could expose itself to material risk that securities the Company has committed to purchase cannot be sold at the initial offering price. Federal and state securities laws and regulations also affect the activities of underwriters and impose substantial potential liabilities for violations in connection with sales of securities by underwriters to the public. At December 31, 2015, the Company had no potential liabilities due under outstanding underwriting arrangements.

Litigation. In the general course of its brokerage business and the business of clearing for other brokerage firms, the Company has been named as a defendant in various lawsuits and arbitration proceedings. These claims allege violation of federal and state securities laws among other matters. Management believes that resolution of these claims will not result in any material adverse effect on the Company's financial position or results of operations.

On November 12, 2015, a jury rendered a verdict against the defendants in a civil matter styled *Gerritsen Beach Investments, Ltd. and SSST Riviera Investments, Ltd. v. Southwest Securities, Inc., W Leighton Stallones, Republic First Bank, SSJ Development of Gerritsen Beach I, LLC, SSJ of Mill Basin I Group, LLC, and SSJ Development of Sheepshead Bay, LLC, Cause No. 10-10673 in the 44th Judicial District, Dallas, County, Texas*. The jury determined Southwest Securities, Inc. to be jointly and severally liable in its verdict. An order approving the jury verdict, however, has not been entered. The Company has filed a motion to overturn the jury verdict. In the event the jury verdict is not overturned, The Company intends to appeal the verdict. An aggregate amount of $4,500 has been reserved in the accompanying Statement of Financial Condition for this matter.

Guarantees. The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. These indemnifications generally are standard contractual indemnifications and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statements for these indemnifications.

The Company is a member of multiple exchanges and clearinghouses. Under the membership agreements, members are generally required to guarantee the performance of other members. Additionally, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. The Company's maximum potential liability under these arrangements cannot be quantified. However, the potential for the Company to be required to make payments under these arrangements is unlikely. Accordingly, no contingent liability is recorded in the financial statements for these arrangements.

15. Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Company engages in activities involving the execution, settlement and financing of various securities transactions. These activities may expose the Company to off-balance-sheet credit and market risks in the event the customer or counterparty is unable to fulfill its contractual obligation. Such risks may be increased by volatile trading markets.

As part of its normal brokerage activities, the Company sells securities not yet purchased (short sales) for its own account. The establishment of short positions exposes the Company to market risk if prices increase, as the Company may be obligated to acquire the securities at prevailing market prices.

The Company seeks to control the risks associated with its customers' activities, including those of customer accounts of its correspondents for which it provides clearing services, by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines. The required margin levels are monitored daily and, pursuant to such guidelines, customers are required to deposit additional collateral or to reduce positions when necessary.

A portion of the Company's customer activity involves short sales and the writing of option contracts. Such transactions may require the Company to purchase or sell financial instruments at prevailing market prices in order to fulfill the customers' obligations.

At times, the Company lends money using reverse repurchase agreements. These positions are collateralized by U.S. government and government agency securities. Such transactions may expose the Company to off-balance-sheet risk in the event such borrowers do not repay the loans and the value of collateral held is less than that of the underlying receivable. These agreements provide the Company with the right to maintain the relationship between market value of the collateral and the receivable.

The Company arranges secured financing by pledging securities owned and unpaid customer securities for short-term borrowings to satisfy margin deposits of clearing organizations. The Company also actively participates in the borrowing and lending of securities. In the event the counterparty in these and other securities loaned transactions is unable to return such securities pledged or borrowed or to repay the deposit placed with them, the Company may be exposed to the risks of acquiring the securities at prevailing market prices or holding collateral possessing a market value less than that of the related pledged securities. The Company seeks to control the risks by monitoring the market value of securities pledged and requiring adjustments of collateral levels where necessary.

16. Preferred Stock

On October 17, 1997, the Company's Board of Directors ("Board") authorized 100,000 shares of preferred stock. Simultaneously, the Board designated 5,000 shares of the authorized preferred stock as Series A Preferred Stock. Up to 50 shares of the Series A Preferred Stock, which has a par value of $20, can be issued to each of up to 100 qualified participants. Qualified participants are broker/dealers registered under the Exchange Act who clear their proprietary transactions through the Company and who represent that they are subject to net capital rules of the SEC and other self-regulatory organizations to which such broker/dealers report. The Series A Preferred Stock is nonvoting and nonconvertible to common stock, and it is entitled to noncumulative cash dividends when, as and if declared by the Board. The Series A Preferred Stock is redeemable at any time by the Company at a redemption price of $1,000 per share.

17. Proprietary Accounts of Broker/Dealers ("PAB") Reserve Requirements

The Company performs calculations of PAB reserve requirements. At December 31, 2015, the Company did not have a PAB reserve requirement and had less than $1 on deposit.

18. Subsequent Events

At the close of business on January 22, 2016, the Company and First Southwest Company, LLC ("FSW"), both subsidiaries of the Parent merged into a combined firm operating under Hilltop Securities Inc. To complete this transaction, 1) the Company entered into an agreement with Securities Holding for a $50,000 promissory demand note and will pay interest on the amount outstanding at the federal funds rate plus 125 basis points per annum; 2) Securities Holding made a capital contribution of $20,000 to the Company; 3) First Southwest Holdings LLC, the parent of FSW, paid a cash dividend of $42,000 to

Securities Holding after FSW paid a cash dividend of $42,000 to First Southwest Holdings LLC; 4) the Company entered into an agreement with First Southwest Holdings LLC for a non collateralized, 10 year, $88,127 promissory note and will pay interest semi-annually at a rate of 5% per annum and 5) Securities Holding entered into a $42,000 subordinated loan agreement with Company and will pay interest semi-annually at a rate of 4.35% per annum.

State of Mississippi

Appendix D

Master Leases by Series, Since 2011

Appendix D

FirstSouthwest
A Division of Hilltop Securities.

Series 2011A	**Dated Date:** November 4, 2011
Certificates of Participation:	$5,290,000
Reserve Fund:	10%
Rating:	S&P "AA-" (uninsured)
Final Maturity:	10/2016
Type of Sale:	Publicly offered, negotiated sale, Initial Purchaser Morgan Keegan & Company, Inc.
True Interest Cost:	2.054066%

Agency	Equipment	Amount	Total for Agency
Board of Animal Health	Six Trucks	$106,069.06	**$106,069.06**
Department of Education	Computers and switches	$358,276.90	
	Paper shredders	7,500.00	
	Projectors, cameras & lighting	99,578.00	**$465,354.90**
Department of Transportation	Excavator	$100,000.00	
	Motor graders	1,165,000.00	
	Backhoes	193,500.00	
	Compact trackhoe	43,500.00	
	Dozer	195,000.00	
	Vibratory asphalt roller	130,000.00	
	Mini-excavator with attachments	100,000.00	
	CTP machine	80,000.00	**$2,007,000.00**
Ellisville State School	Phone system	300,000.00	
	Kronos time and attendance system	519,848.00	**$819,848.00**
Boswell Regional Center	Kronos time and attendance system	$190,756.00	**$190,756.00**
Hudspeth Regional Center	Kronos time and attendance system	$332,967.00	**$332,967.00**
Mississippi Adolescent Center	Kronos time and attendance system	$51,604.00	**$51,604.00**
North MS Regional Center	Kronos time and attendance system	$328,336.00	**$328,336.00**
North MS State Hospital	Kronos time and attendance system	$63,594.00	**$63,594.00**
South MS Regional Center	Kronos time and attendance system	$239,521.00	**$239,521.00**
TOTAL EQUIPMENT COSTS FINANCED FOR SERIES 2011A			**$4,605,049.96**

Series 2012A	**Dated Date:** June 8, 2012
Certificates of Participation:	$4,975,000
Reserve Fund:	10%
Rating:	S&P "AA-" (uninsured)
Final Maturity:	4/2017
Type of Sale:	Publicly offered, competitively bid, underwritten by Hutchinson, Shockey, Erley & Co.
True Interest Cost:	1.637348%

Agency	Equipment	Amount	Total for Agency
Department of Corrections	Vehicles	$860,554.00	
	Fire truck	298,393.00	
	Boiler unit	224,742.00	
	Laundry dryers	53,232.65	**$1,436,921.65**
Department of ITS	Mainframe server	$773,503.00	
	Cisco Nexus 7000 & switches	327,426.00	
	Switches	430,717.00	**$1,531,646.00**
Department of Transportation	Backhoes/loaders	$130,000.00	
	Motor grader	170,000.00	
	Excavator	170,000.00	
	Flatbed sheeting cutter	35,000.00	
	Aerial bucket trucks	180,000.00	
	Digger derrick truck	185,000.00	**$870,000.00**
East MS State Hospital	Computer hardware	$305,000.00	
	Computer software	82,000.00	
	Air conditioning units	135,000.00	
	Elevator components	63,000.00	**$585,000.00**
TOTAL EQUIPMENT COSTS FINANCED FOR SERIES 2012A			**$4,423,567.65**

Series 2013A	**Dated Date:** October 10, 2013
Certificates of Participation:	$26,555,000
Reserve Fund:	10%
Rating:	S&P "AA-" (uninsured)
Final Maturity:	4/2023
Type of Sale:	Publicly offered, negotiated sale, Initial Purchaser Raymond James & Associates
True Interest Cost:	2.263608%

Agency	Equipment	Amount	Total for Agency
Department of Transportation	Vehicles	$750,000.00	
	Platform truck	200,000.00	
	Bucket trucks	187,000.00	
	Tractors	271,810.00	
	Aggregate chip spreader	220,000.00	
	Power brooms	75,000.00	
	Mechanical truck	57,500.00	
	Excavator	153,500.00	
	CY dump trucks	192,000.00	
	Cargo truck	70,000.00	
	90hp excavator	110,000.00	
	Mechanical street sweeper	250,000.00	**$2,536,810.00**
Department of Corrections	Computers, network switches	$400,000.00	
	Thirty-six (36) Nissan Versas	487,980.00	
	Two (2) mini vans	37,678.00	
	Twenty (20) passenger vans	475,900.00	
	Thirteen (13) mini vans	265,824.00	
	Nine (9) Ford Fusion vehicles	150,975.00	
	Dodge Charger sedan	21,869.00	
	Six (6) half-ton pick up trucks	130,638.00	
	Three (3) half-ton 4x4 pick up trucks	62,097.00	
	Two (2) three-quarter ton 4x4 pick up truck	48,068.00	

	One (1) mid-size pick up truck	17,250.00	
	One (1) cargo van	19,779.00	
	Fifteen (15) officer vehicles	203,325.00	
•	(Less insurance proceeds)	(903,949.00)	
	Security equipment and farming equipment	682,566.00	**$2,100,000.00**
Department of Mental Health	Electronic health records system	$5,298,240.00	**$5,298,240.00**
East MS State Hospital	Vans with wheelchair lifts	$180,000.00	
	Minivan	$20,000.00	**$200,000.00**
Department of Agriculture & Commerce	Vehicles	$1,235,273.00	
	IT equipment	375,000.00	
	Farming implements and equipment	$589,727.00	**$2,200,000.00**
Department of Revenue	Vans with wheelchair lifts	$180,000.00	
	Minivan	$20,000.00	**$200,000.00**
	One (1) high-speed production scanner	$300,000.00	
	Mail extraction/scanning equipment	175,000.00	
	Ten (10) law enforcement vehicles	250,000.00	
	Personal computers, notebooks	550,000.00	**$1,275,000.00**
Mississippi University for Women	Switches and stacks	$250,000.00	
	Disk Shelf for network SAN	28,000.00	
	Backup SAN	23,000.00	
	10-Gb core and switches	350,000.00	
	Four (4) 8-passenger golf carts	64,000.00	
	One (1) 6-passenger golf cart	10,000.00	**$725,000.00**
TOTAL NEW EQUIPMENT COSTS FINANCED FOR SERIES 2013A			**$14,335,050.00**
Refunding Series 2005A		$2,631,905.64	**$2,631,905.64**
Refunding Series 2008A		$6,979,440.42	**$6,979,440.42**
TOTAL SERIES 2013A			

Series 2014A	**Dated Date:** December 23, 2014
Certificates of Participation:	$5,770,000
Reserve Fund:	10%
Rating:	S&P "AA-" (uninsured)
Final Maturity:	10/2024
Type of Sale:	Publicly offered, negotiated sale, Initial Purchaser Raymond James & Associates, Inc.
True Interest Cost:	2.412285%

Agency	Equipment	Amount	Total for Agency
Department of ITS	Two (2) APC UPS and Electrical Power Monitoring Systems	$651,670.54	
	One (1) Square-D Power Switchboard	206,900.00	
	Power Infrastructure	1,518,000.00	**$2,376,360.54**
Department of Revenue	Mail extraction/scanning equipment	$ 90,000.00	
	Eight (8) law enforcement vehicles	216,000.00	
	Racking and stock pickers	134,000.00	
	Desktop computers, printers, servers	806,000.00	
	Battery charging system, chargers & batteries	254,000.00	**$1,500,000.00**
North MS Regional Center	Telephone System	$126,657.00	
	Computers	111,360.00	**$238,017.00**
Jackson State University	Two 2015 motor coaches	$1,094,000.00	
	One wheelchair lift	33,000.00	**$1,127,000.00**
	bean headers, excavator and combines	$1,149,345.03	**$1,149,345.03**
TOTAL EQUIPMENT COSTS FINANCED FOR SERIES 2014A			**$5,241,377.54**

Series 2015A	**Dated Date:** July 30, 2015
Certificates of Participation:	$4,095,000
Reserve Fund:	10%
Rating:	S&P "AA-" (uninsured)
Final Maturity:	4/2023
Type of Sale:	Publicly offered, negotiated sale, Initial Purchaser Raymond James & Associates, Inc.
True Interest Cost:	2.35395%

Agency	Equipment	Amount	Total for Agency
Department of Animal Health	Seven (7) pickup trucks	$135,000.00	**$135,000.00**
Ellisville State School	Sewage treatment equipment	$850,000.00	**$850,000.00**
Copiah-Lincoln Community College District	SAN	$152,650.00	
	Servers	81,270.00	
	Switches	183,170.00	
	Wireless Access Points	7,910.00	**$425,000.00**
Clarksdale Municipal Schools	Five (5) school buses	$425,000.00	**$425,000.00**
Greene County Schools	Ten (10) school buses	$810,000.00	
	Computers & networking	100,000.00	
	Floor buffers & auto scrubbers	45,000.00	
	Maintenance vehicles	$45,000.00	**$1,000,000.00**
Long Beach Schools	Computers, security cameras, band instruments, speciality chairs for the music education program	$822,729.00	**$822,729.00**
TOTAL EQUIPMENT COSTS FINANCED FOR SERIES 2015A			**$3,657,729.00**

Series 2016A	**Dated Date:** May 19, 2016
Certificates of Participation:	$3,355,000
Reserve Fund:	**None**
Rating:	**Unrated/uninsured**
Final Maturity:	4/2021
Type of Sale:	Competitive bid, privately-placed COPS to Hancock Bank
True Interest Cost:	1.606098%

Agency	Equipment	Amount	Total for Agency
Department of Transportation	One (1) aerial lift truck	$ 175,000.00	
	One (1) aerial lift truck	98,000.00	
	One (1) roller applicator	67,000.00	
	One (1) friction tester	250,000.00	
	Three (3) excavators	330,000.00	
	Three (3) mechanics trucks	180,000.00	
	Three (3) dump trucks	273,000.00	
	Three (3) 12 CY dump beds	43,500.00	
	One (1) bucket truck	85,000.00	
	One (1) dump truck 4 CY LWB	83,000.00	
	One (1) asphalt milling machine	400,000.00	
	One (1) asphalt spreader	450,000.00	**$2,434,500.00**
MS Valley State	Two (2) Chevrolet Impala police cruisers	$40,472.00	
	Two (2) alternate flashing light assemblies	409.50	
	Two (2) headlamp flasher assemblies	682.50	
	Two (2) 40-passenger buses	365,940.00	**$407,504.00**
Jackson State University	Musical instruments	$463,638.00	**$463,638.00**
TOTAL EQUIPMENT COSTS FINANCED FOR SERIES 2015A			**$3,305,642.00**

Series 2011A	**Dated Date:** August 16, 2011
Certificates of Participation:	$2,630,000
Reserve Fund:	10%
Rating:	S&P "AA-" (uninsured)
Final Maturity:	4/2019
Type of Sale:	Negotiated sale, Initial Purchaser Morgan Keegan
True Interest Cost:	2.113059%

Agency	Equipment	Amount	Total for Agency
Okolona Municipal Schools	2- 2008 International 71-passenger buses	$127,950.00	
	Less interim principal payments:	(13,807.21)	
	Plus accrued interest	3,211.63	**$117,354.42**
Pontotoc County Schools	Six school buses	$449,658.90	**$449,658.90**
Rankin County Schools	Technology equipment	$1,000,000.00	
	Vehicles	175,000.00	**$1,175,000.00**
Copiah-Lincoln CCD	Desktop Computers Dow	$220,280.00	
	Desktop Computers Simpson County	129,720.00	
	Tablet PCs Simpson County	43,200.00	
	Core Switch & Closet Switch Replacements	152,000.00	**$545,200.00**
TOTAL EQUIPMENT COSTS FINANCED FOR SERIES 2011A			**$2,287,213.32**

State of Mississippi

Appendix E

List of Master Leases since 2011, by amount

Appendix E

FirstSouthwest
A Division of Hilltop Securities.

ISSUER	Dated Date	Par Amount	Method of Offering	Rated	Insured
	Up to $5 million				
The State Of Mississippi, Represented By And Acting Through The State Of Mississippi Department Of Finance And Administration (SCHOOLS)	16-Aug-11	$2,630,000	Publicly Offered COPs	Yes	N/A
The State Of Mississippi, Represented By And Acting Through The State Of Mississippi Department Of Finance And Administration (AGENCIES)	9-Jun-12	$4,975,000	Publicly Offered COPs	Yes	N/A
The State Of Mississippi, Represented By And Acting Through The State Of Mississippi Department Of Finance And Administration (SCHOOLS)	13-Dec-12	$1,095,000	Publicly Offered COPs	No	N/A
The State Of Mississippi, Represented By And Acting Through The State Of Mississippi Department Of Finance And Administration (SCHOOLS)	11-Sep-13	$4,639,000	Publicly Offered COPs	Yes	N/A
The State Of Mississippi, Represented By And Acting Through The State Of Mississippi Department Of Finance And Administration (SCHOOLS)	2-Oct-14	$1,255,000	Publicly Offered COPs	No	N/A
The State Of Mississippi, Represented By And Acting Through The State Of Mississippi Department Of Finance And Administration	30-Jul-15	$4,095,000	Publicly Offered COPs	Yes	N/A
The State Of Mississippi, Represented By And Acting Through The State Of Mississippi Department Of Finance And Administration (AGENCIES)	19-May-16	$3,355,000	Privately-Placed COPs	No	N/A
	Over $5 million				
The State Of Mississippi, Represented By And Acting Through The State Of Mississippi Department Of Finance And Administration (AGENCIES)	4-Nov-11	$5,290,000.00	Publicly Offered COPs	Yes	N/A
The State Of Mississippi, Represented By And Acting Through The State Of Mississippi Department Of Finance And Administration (AGENCIES)	10-Oct-13	$26,555,000.00	Publicly Offered COPs	Yes	N/A
The State Of Mississippi, Represented By And Acting Through The State Of Mississippi Department Of Finance And Administration (AGENCIES)	23-Dec-14	$5,770,000.00	Publicly Offered COPS	Yes	N/A
The State Of Mississippi, Represented By And Acting Through The State Of Mississippi Department Of Finance And Administration (AGENCIES)	**30-Jul-15**	**$62,255,000.00**	**Publicly Offered COPs**	**Yes**	Assured Guaranty