TITUS COUNTY, TEXAS

REPORT TO THE COMMISSIONERS COURT

PARAMETER SALE OF

Unlimited Tax Refunding Bonds Series 2016

September 26, 2016

PREPARED BY:

HilltopSecurities
A Hilltop Holdings Company

TITUS COUNTY, TEXAS

OUTLINE OF REFUNDING OPPORTUNITY

September 26, 2016

- In 2007, the County issued Unlimited Tax and Pass-Through Toll Revenue Bonds in the amount of $29,665,000 of which $22,965,000 remains outstanding.
    - Of the outstanding balance, $20,690,000 is eligible for redemption prior to maturity on March 1, 2018.
- In 2009, the County issued Unlimited Tax and Pass-Through Toll Revenue Bonds in the amount of $39,000,000 of which $33,670,000 remains outstanding.
    - Of the outstanding balance, $29,065,000 is eligible for redemption prior to maturity on March 1, 2019.
- The combined amount of $49,755,000 eligible for redemption (the "Callable Bonds") have a combined average interest rate of 4.71%.
- Current market conditions project the County could issue refunding bonds (the "2016 Refunding Bonds") to replace the Callable Bonds for a cost of funds of about 2.43%, which produces debt service savings of more than $6.4 Million and Net Present Value Savings of more than 11% compared to the amount being refunded.
- Quoted savings is "net" to the County and is after all costs of issuance.
- The transaction will only occur if the following parameters are met at the time the 2016 Refunding Bonds are offered:
    - The True Interest Cost (TIC) of the Bonds shall not exceed 3.25%
    - The aggregate principal amount of the Bonds shall not exceed $50,000,000
    - The refunding of the Refunded Bonds shall produce a Net Present Value savings of at least 9.00% of the principal amount of the Refunded Bonds
    - The final maturity will be no later than March 1, 2032 (no extension)

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TITUS COUNTY

Unlimited Tax Refunding Bonds, Series 2016

Debt Service and Savings Schedule - Preliminary

September 13, 2016

Fisc Year Ending	Existing Debt Service	Refunded Debt Service	Series 2016 Refunding Bonds					New Combined Debt Service	Savings	
			Principal	Int.Rate	Yield	Interest	Total		Annual	Cumulative
9/30/2017	$ 10,929,561	$ (2,307,269)	$ 370,000	4.000%	0.760%	$ 1,616,475	$ 1,986,475	$ 10,608,767	$ 320,794	$ 320,794
9/30/2018	10,926,031	(2,307,269)				1,933,850	1,933,850	10,552,612	373,419	694,213
9/30/2019	10,929,298	(3,487,416)	1,165,000	4.000%	0.920%	1,910,550	3,075,550	10,517,432	411,866	1,106,078
9/30/2020	10,929,341	(5,122,578)	2,880,000	4.000%	1.010%	1,829,650	4,709,650	10,516,412	412,928	1,519,006
9/30/2021	10,926,006	(5,123,294)	3,000,000	4.000%	1.110%	1,712,050	4,712,050	10,514,762	411,244	1,930,250
9/30/2022	10,932,350	(5,117,988)	3,115,000	4.000%	1.280%	1,589,750	4,704,750	10,519,112	413,238	2,343,488
9/30/2023	10,932,966	(5,121,003)	3,250,000	4.000%	1.450%	1,462,450	4,712,450	10,524,412	408,553	2,752,041
9/30/2024	10,927,381	(5,118,788)	3,380,000	4.000%	1.600%	1,329,850	4,709,850	10,518,444	408,938	3,160,978
9/30/2025	10,926,575	(5,122,825)	3,520,000	4.000%	1.730%	1,191,850	4,711,850	10,515,600	410,975	3,571,953
9/30/2026	10,930,031	(5,123,406)	3,685,000	5.000%	1.820%	1,029,325	4,714,325	10,520,950	409,081	3,981,034
9/30/2027	10,929,338	(5,123,713)	3,855,000	4.000%	1.950%	860,100	4,715,100	10,520,725	408,613	4,389,647
9/30/2028	10,927,975	(5,123,463)	4,010,000	4.000%	2.140%	702,800	4,712,800	10,517,313	410,663	4,800,309
9/30/2029	10,924,406	(5,126,356)	4,175,000	4.000%	2.320%	539,100	4,714,100	10,512,150	412,256	5,212,566
9/30/2030	10,931,650	(5,124,000)	4,345,000	4.000%	2.400%	368,700	4,713,700	10,521,350	410,300	5,622,866
9/30/2031	10,926,075	(5,122,125)	4,520,000	4.000%	2.450%	191,400	4,711,400	10,515,350	410,725	6,033,591
9/30/2032	10,929,850	(2,987,875)	2,525,000	4.000%	2.510%	50,500	2,575,500	10,517,475	412,375	6,445,966
9/30/2033	10,926,925							10,926,925		
9/30/2034	10,931,225							10,931,225		
	$ 196,716,984	$ (72,559,366)	$ 47,795,000			$ 18,318,400	$ 66,113,400	$ 190,271,018	$ 6,445,966	

Notes: The Series 2016 Refunding Bonds are assumed to be dated November 1, 2016 and deliver on November 9, 2016.
Refunded Debt Service includes:
$20,690,000 of ULT & Pass Through Toll Revenue Bonds, Series 2007 maturing 2019-2031 to be redeemed on March 1, 2018.
$29,065,000 of ULT & Pass Through Toll Revenue Bonds, Series 2009 maturing 2020-2032 to be redeemed on March 1, 2019.
The Series 2016 Refunding Bonds are scheduled to mature on March 1 in each of the years shown.
Interest on the Series 2016 Refunding Bonds is payable on March 1 and September 1, beginning March 1, 2017.
The True Interest Cost ("TIC") of the interest rates and yield shown above computes to 2.4372%.
The average rate of interest on the bonds being refunded is 4.7185%.
The Net Present Value Savings of this transaction is $5,554,760.71 or 11.16% of the refunded debt.
This transaction has negative arbitrage computing to $1,213,452.92 or 21.85% of NPV Savings.

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Bond Buyer's Index of 20 Municipal Bonds

MONTH	WEEK	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
January	1	5.26	4.84	4.64	4.47	4.35	4.15	4.32	5.24	4.25	5.08	3.83	3.68	4.75	3.42	3.45
	2	5.16	4.94	4.52	4.41	4.37	4.21	4.21	5.02	4.31	5.39	3.62	3.60	4.68	3.29	3.45
	3	5.08	4.95	4.57	4.40	4.33	4.25	4.15	4.80	4.31	5.41	3.60	3.53	4.55	3.36	3.37
	4	5.17	4.89	4.71	4.37	4.42	4.32	4.29	5.13	4.30	5.25	3.68	3.54	4.50	3.36	3.38
	5	5.15	4.90						5.16	4.39			3.67	4.48		
February	1	5.13	4.88	4.68	4.37	4.43	4.31	4.39	4.96	4.36	5.25	3.60	3.68	4.46	3.49	3.30
	2	5.13	4.83	4.52	4.27	4.42	4.21	4.33	4.89	4.34	5.29	3.70	3.72	4.46	3.60	3.27
	3	5.10	4.79	4.50	4.35	4.41	4.17	4.47	4.89	4.38	5.10	3.65	3.74	4.44	3.62	3.27
	4	5.07	4.74	4.49	4.42	4.36	4.19	4.66	4.87	4.36	4.95	3.69	3.74	4.38	3.62	3.34
								5.11								
March	1	5.19	4.69	4.54	4.50	4.39	4.10	4.92	4.96	4.34	4.90	3.72	3.86	4.41	3.68	3.34
	2	5.30	4.67	4.35	4.57	4.45	4.08	4.94	5.03	4.33	4.91	3.84	4.00	4.47	3.62	3.42
	3	5.34	4.83	4.35	4.56	4.40	4.13	4.88	4.98	4.32	4.86	3.95	3.99	4.51	3.52	3.40
	4	5.32	4.84	4.41	4.63	4.43	4.20	4.96	5.00	4.44	4.91	4.01	3.99	4.43	3.52	3.38
	5				4.61	4.53	4.25					4.02				3.38
April	1	5.28	4.79	4.59	4.56	4.56	4.26	4.90	4.92	4.44	5.00	4.08	3.96	4.44	3.49	3.28
	2	5.20	4.76	4.76	4.49	4.57	4.29	4.61	4.92	4.45	5.04	3.97	3.93	4.32	3.49	3.30
	3	5.22	4.74	4.89	4.42	4.59	4.24	4.62	4.78	4.43	5.06	3.90	3.89	4.32	3.45	3.28
	4	5.16	4.66	4.89	4.37	4.59	4.26	4.68	4.57	4.37	4.98	3.86	3.90	4.33	3.52	3.32
	5			4.95							4.86				3.62	
May	1	5.17	4.58	5.01	4.38	4.63	4.25	4.63	4.70	4.37	4.69	3.81	3.77	4.33	3.74	3.32
	2	5.19	4.50	5.14	4.35	4.63	4.24	4.62	4.62	4.29	4.61	3.71	3.67	4.31	3.74	3.32
	3	5.24	4.35	5.13	4.25	4.58	4.29	4.53	4.54	4.32	4.55	3.75	3.61	4.26	3.81	3.26
	4	5.19	4.30	5.01	4.24	4.52	4.39	4.52	4.44	4.27	4.53	3.81	3.70	4.28	3.73	3.26
	5	5.14	4.31				4.41	4.62	4.61	4.28		3.77	3.84	4.29		
June	1	5.14	4.27	5.03	4.18	4.57	4.54	4.59	4.71	4.28	4.51	3.92	3.93	4.37	3.81	3.26
	2	5.09	4.21	5.10	4.21	4.48	4.64	4.69	4.86	4.37	4.49	3.95	4.16	4.37	3.87	3.03
	3	5.04	4.35	5.05	4.31	4.58	4.63	4.76	4.86	4.40	4.49	3.95	4.37	4.36	3.79	2.99
	4	5.07	4.47	5.01	4.23	4.68	4.60	4.83	4.79	4.40	4.46	3.95	4.63	4.29	3.80	2.90
	5				4.24	4.71										2.85
July	1	5.10	4.51	4.98	4.27	4.69	4.61	4.67	4.81	4.38	4.59	3.94	4.39	4.31	3.85	2.80
	2	5.04	4.56	4.81	4.30	4.62	4.60	4.56	4.71	4.36	4.65	3.83	4.55	4.38	3.76	2.80
	3	5.00	4.71	4.85	4.36	4.59	4.55	4.65	4.68	4.37	4.51	3.75	4.52	4.36	3.82	2.87
	4	4.94	4.83	4.84	4.31	4.55	4.47	4.77	4.69	4.26	4.46	3.61	4.77	4.29	3.75	2.85
	5		5.07	4.88					4.69	4.21	4.47			4.33	3.75	
August	1	5.00	5.06	4.78	4.38	4.49	4.51	4.74	4.65	4.16	4.19	3.66	4.70	4.31	3.75	2.85
	2	4.99	5.18	4.70	4.37	4.45	4.59	4.75	4.65	4.06	3.97	3.75	4.73	4.24	3.69	2.85
	3	4.89	5.10	4.67	4.27	4.39	4.74	4.67	4.58	4.03	3.83	3.80	4.80	4.21	3.73	2.84
	4	4.97	5.07	4.66	4.25	4.34	4.81	4.64	4.53	3.88	4.09	3.76	4.91	4.17	3.79	2.84
	5	4.91					4.70	4.68				3.72	4.96			
September	1	4.78	5.07	4.63	4.18	4.30	4.57	4.62	4.37	3.86	4.14	3.73	5.03	4.09	3.82	2.84
	2	4.77	4.94	4.61	4.26	4.34	4.46	4.54	4.33	3.92	4.05	3.79	4.93	4.14	3.82	2.83
	3	4.69	4.84	4.54	4.30	4.30	4.51	5.03	4.20	3.89	4.07	3.72	4.66	4.17	3.78	2.96
	4	4.71	4.81	4.46	4.30	4.21	4.48	5.23	4.04	3.83	3.85	3.67	4.53	4.11	3.71	
	5				4.39	4.23					3.93					
October	1	4.68	4.75	4.54	4.44	4.25	4.42	5.36	3.94	3.84	4.14	3.61	4.53	4.11	3.67	
	2	4.66	4.92	4.61	4.51	4.33	4.48	5.47	4.06	3.84	4.17	3.64	4.57	4.01	3.68	
	3	4.98	5.00	4.48	4.47	4.33	4.39	6.01	4.32	3.82	4.08	3.68	4.68	3.87	3.68	
	4	5.12	4.88	4.43	4.56	4.30	4.33	5.32	4.31	3.84	4.12	3.68	4.56	3.90	3.67	
	5	4.95	4.88	4.44				5.35	4.39	3.96			4.48	3.90	3.66	
November	1	4.91	4.83	4.45	4.63	4.18	4.40	5.24	4.41	4.02	4.02	3.67	4.56	3.98	3.69	
	2	4.90	4.77	4.58	4.61	4.19	4.54	5.14	4.40	4.24	4.02	3.55	4.64	3.98	3.74	
	3	5.00	4.66	4.52	4.52	4.17	4.53	5.13	4.35	4.72	4.09	3.41	4.60	3.93	3.65	
	4	5.00	4.66	4.53	4.51	4.14	4.45	5.39	4.33	4.60	4.07	3.37	4.61	3.94	3.65	
	5					4.04	4.39					3.29				
December	1	4.94	4.73	4.63	4.53	4.03	4.38	5.58	4.24	4.65	4.12	3.27	4.70	3.83	3.57	
	2	4.83	4.70	4.43	4.49	4.12	4.46	5.85	4.19	4.86	3.93	3.44	4.74	3.65	3.57	
	3	4.82	4.57	4.39	4.48	4.12	4.39	5.46	4.18	5.15	3.92	3.64	4.73	3.65	3.57	
	4		4.58	4.44	4.42	4.17	4.44	5.33	4.21	5.00	3.92	3.58	4.73	3.65	3.57	
	5		4.60	4.49	4.38					4.95	3.88			3.56		

The Bond Buyer's 20-Bond Index is determined by a poll taken of several investment banks each week of the 20 year yield of outstanding general obligation bonds from a select group of municipalities across the nation with an average credit rating of "A".

TITUS COUNTY, TEXAS

Unlimited Tax Refunding Bonds, Series 2016

Proposed Schedule of Events

September 2016						
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

October 2016						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

November 2016						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

Proposed Date	Action
September 15, 2016	Hilltop sends Request for Information (RFI) to County Auditor for material needed in preparation of offering documents.
September 22, 2016	County returns completed RFI material.
September 23, 2016	Underwriting Team determined. Hilltop sends out initial draft of POS for review and comment. Hilltop sends necessary information to Standard & Poor's (S&P).
September 26, 2016	**Commissioners Court Meeting to consider Bond Resolutions and Pricing Certificates (9:00 AM Regular Meeting).**
September 27, 2016	Comments on initial draft of POS are due to Hilltop.
September 29, 2016	Hilltop distributes second draft of POS for review and comment.
October 4, 2016	Conference Calls with S&P.
October 5, 2016	Comments on second draft of POS are due to Hilltop.
October 10, 2016	Hilltop posts POS to the internet.
October 11, 2016	Ratings received.
October 13, 2016	Bond Pricing. Underwriters offer Bonds to the public. **Execute Pricing Certificate and Bond Purchase Agreement.**
October 14, 2016	Hilltop distributes draft of Final Official Statement for review and comment.
October 18, 2016	Bond Counsel submits documentation to Attorney General's Office. Comments due on Final Official Statement.
October 19, 2016	Final Official Statement posted to internet and sent to printer.
October 21, 2016	Written Final Official Statement received by all parties.
November 4, 2016	Hilltop to notify all parties of closing and delivery instructions.
November 9, 2016	Closing and Delivery.

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SUGGESTED FORM OF MOTION FOR AWARDING BONDS AND AUTHORIZING ISSUANCE THEREOF

Motion by _____

Seconded by _____

I move to approve the Order authorizing the issuance of Titus County Unlimited Tax Refunding Bonds, Series 2016 subject to the parameters established therein.

For _____ Against _____ Abstain _____