

SETTLEMENT AGREEMENT

This Settlement Agreement is made and entered into this 10th day of October, 2014 (hereinafter, "Effective Date"), among Rathmann and Associates, L.P., ("Rathmann & Assoc."), R. Craig Rathmann in his individual capacity ("Mr. Rathmann"), and the Attorney General for the State of Texas (the "Attorney General").

WHEREAS, the Attorney General has been investigating potential violations of the antitrust laws in connection with FA services offered to MUDs issuing municipal bonds in the Houston Area (the "Attorney General's Investigation");

WHEREAS, the Attorney General is prepared to allege that Rathmann & Assoc., Mr. Rathmann, and RBC Capital Markets, LLC ("RBCCM") unreasonably restrained competition by entering into an agreement on March 28, 2003, allocating certain financial advisory customers, agreeing not to solicit one another's existing financial advisory customers, and affecting the provision of Underwriting Services for MUD Refundings, thereby depriving certain MUDs of the benefits of competition ("the State's Allegations");

WHEREAS, based on information obtained in the Attorney General's Investigation, the Attorney General would be prepared to assert on behalf of the State of Texas all available claims for civil penalties, disgorgement, restitution, damages, and equitable relief under federal and state law arising from Rathmann & Assoc. and Mr. Rathmann's offering and performance of FA Services ("the State's Claims");

WHEREAS, Rathmann and Assoc. and Mr. Rathmann deny the State's Allegations and wrongdoing of any kind in their dealings with RBCCM or any MUD;

WHEREAS, in order to avoid further expense and the risks inherent in litigation, Rathmann & Assoc., Mr. Rathmann, and the Attorney General desire to settle the State's Claims;

WHEREAS, the Attorney General finds that the agreed relief and other provisions contained in this Settlement Agreement are appropriate and in the public interest;

NOW THEREFORE, in exchange for the mutual obligations described below, Rathmann & Assoc., Mr. Rathmann, and the Attorney General hereby agree as follows:

DEFINITIONS

1. "FA Services" shall mean services provided to a MUD by a financial advisor including, but not limited to, advice regarding the timing, structure, pricing, and terms of a MUD Refunding.
2. "MUDs" shall mean municipal utility districts, public utility districts, improvement districts, utility districts, and other similarly situated water districts organized or subject to oversight pursuant to Texas Water Code, Chapters 49-68.

3. "MUD Refundings" shall mean bonds issued by MUDs to redeem and replace existing bonds.

4. "Underwriting Services" shall mean services provided to a MUD by an underwriter including, but not limited to, purchasing bonds from a MUD in an arm's length transaction in connection with MUD Refundings.

PARTIES

5. Rathmann & Associates, L.P ("Rathmann & Assoc.") is a limited partnership organized under the laws of the State of Texas. Rathmann & Assoc. serves as a Financial Advisor to municipal utility districts in Texas and advises its clients on the issuance of municipal bonds among other matters. Rathmann & Assoc. is registered with the Texas State Securities Board as an investment advisor.

6. Defendant R. Craig Rathmann ("Mr. Rathmann") is a natural person who serves as the president of and sole partner in Rathmann & Assoc. Mr. Rathmann is registered with the Texas State Securities Board as an investment advisor representative of Rathmann & Assoc.

7. The Attorney General is the chief law enforcement officer of the State of Texas, responsible for enforcing state and federal antitrust laws to promote competition and protect the State's citizens, general welfare, and economy from anticompetitive conduct.

ALLEGATIONS

A. Background Information

8. MUDs are political subdivisions of the State of Texas. Their primary function is to finance, build, and maintain infrastructure projects such as irrigation, sewage, and drainage systems. MUDs are authorized to issue tax-exempt bonds to finance these public projects. MUDs are also authorized to assess, levy, and collect taxes on properties within their districts to pay for obligations incurred in connection with bond issuances.

9. Financial advisors serve as fiduciaries to MUDs and advise MUDs as to the structure and timing of bond issuances. MUDs typically issue municipal bonds to finance infrastructure projects or restructure existing debt as part of a MUD Refunding. Typically, MUDs enter into MUD Refundings to take advantage of lower interest rates and decrease their borrowing costs.

B. The Separation Agreement

10. Between 1992 and April 2003, R. Craig Rathmann was employed by RBCCM (or one of its predecessor entities). In early 2003, Mr. Rathmann was the co-manager of RBCCM's Texas Public Finance Group based in Houston, Texas. Mr. Rathmann was a financial advisor responsible for representing RBCCM's MUD clients in Harris, Fort Bend, Brazoria, Chambers, and Montgomery Counties ("the Houston Area"). He also supervised other financial advisors with responsibilities over MUD and non-MUD clients. Mr. Rathmann personally served as the primary contact for 98 MUD clients. Other RBCCM bankers served as contacts to the firm's 76

remaining financial advisory (FA) MUD clients in the Houston Area and reported to Mr. Rathmann.

11. In early 2003, Mr. Rathmann decided to leave RBCCM. In leaving RBCCM, Mr. Rathmann negotiated with RBCCM over which MUD clients would become clients of his new firm and which would stay with RBCCM. The negotiations resulted in a formal separation agreement (“the Separation Agreement”) dated March 28, 2003. The Separation Agreement addresses Rathmann & Assoc.’s and RBCCM’s agreement to allocate RBCCM’s then-existing MUD FA clients and other aspects of Mr. Rathmann’s separation from RBCCM. Specifically, the Separation Agreement lists which MUD clients would become Rathmann & Assoc.’s clients and which would remain with RBCCM (identified in the Separation Agreement’s Exhibits A and C, respectively). The 98 MUDs listed in Exhibit A were RBCCM’s clients that would be assigned to Rathmann & Assoc. Mr. Rathmann served as the primary contact at RBCCM for all of these 98 clients. The 76 clients listed in Exhibit C would remain with RBCCM. Collectively, these 174 clients comprised all of RBCCM’s MUD FA clients in the Houston Area at the time of the Separation Agreement. All of the FA contracts with RBCCM and Rathmann & Assoc. provided that the MUD has the right to terminate for any reason on 30 days’ notice.

12. Section 4 of the Separation Agreement memorializes Rathmann & Assoc. and RBCCM’s agreement not to compete against each other for the FA business of the MUDs listed on Exhibit A and Exhibit C. This section provides that for a period of three years after the effective date of the agreement, so long as RBCCM was a party to an FA contract with an Exhibit C MUD, Rathmann & Assoc. would not solicit that MUD to: (a) terminate the RBCCM contract; or (b) not renew the RBCCM contract or to take any action interfering with the RBCCM contract. Likewise, for a period of three years after the effective date of the agreement, so long as Rathmann & Assoc. was a party to an FA contract with an Exhibit A MUD, RBCCM agreed it would not solicit that MUD to: (a) terminate the Rathmann & Assoc. contract; or (b) not renew the Rathmann & Assoc. contract or to take any action interfering with the Rathmann & Assoc. contract. RBCCM and Mr. Rathmann further agreed “that its or his intent is to not solicit or have any party that it or he controls to solicit any [Exhibit A or Exhibit C MUD] for so long as [RBCCM or Rathmann & Assoc.] shall have a financial advisory agreement in effect with that [Exhibit A or Exhibit C MUD]....”

13. Section 3 of the Separation Agreement sets forth provisions relating to Underwriting Services for MUD Refundings offered by RBCCM to Rathmann & Assoc.’s clients. Mr. Rathmann agreed that “he shall cause [Rathmann & Assoc.] to use its reasonable efforts, subject to any fiduciary and other duties [Rathmann & Assoc.] may owe to any of [its] clients, to cause [RBCCM] to be named as the senior managing underwriter for each negotiated transaction for the sale of bonds proposed to be made by any of [Rathmann & Assoc.’s clients].” The Separation Agreement further stated, “subject to its fiduciary or other duties to its Clients, [Rathmann & Assoc.] shall use its reasonable efforts to secure an underwriter’s discount ... of 1.25% of the gross proceeds from the sale of the bonds in the Negotiated Issue.” The Separation Agreement further provided that these provisions would “remain in effect for a period of at least one year” and then be terminable by either party.

14. The Separation Agreement was terminated on July 26, 2012. RBCCM was appointed lead underwriter in 112 out of 115 negotiated transactions involving Rathmann & Assoc.'s clients during the term of the Separation Agreement. RBCCM was paid an underwriter's discount of at least 1.25% in 106 of these 112 negotiated transactions.

SETTLEMENT PAYMENT

15. Within 30 days of the Effective Date, Rathmann & Assoc. and Mr. Rathmann agree to pay the total sum of \$450,000 as a payment in lieu of civil penalties and fines and in partial reimbursement of the costs and fees associated with the Attorney General's investigation related to this matter.

NONSUIT OF TRAVIS COUNTY ACTION

16. Mr. Rathmann and Rathmann & Assoc. shall, no later than close of business on Friday, October 10, 2014, file a nonsuit with prejudice in the action styled *Rathmann v. Abbott*, Cause No. D-1-GN-14-003831, currently pending in the District Court for Travis County, Texas, 98th Judicial District. The parties acknowledge that the filing of the nonsuit shall constitute a final resolution of Plaintiffs' Application for Temporary Injunction.

BUSINESS PRACTICES

17. For a period of three years from the Effective Date, Mr. Rathmann, Rathmann & Assoc., and its directors, officers, managers, agents, and employees agree not to enter into any agreement with actual or potential competitors not permitted by applicable law that has a similar purpose and effect as the agreement described in the State's Allegations.

18. For a period of three years from the Effective Date, Mr. Rathmann, Rathmann & Assoc., and its directors, officers, managers, agents, and employees, in connection with each bond refunding, agree to provide a written notification to advisory clients (the "Notification"). Mr. Rathmann and Rathmann & Assoc. further undertake and agree that the Notification will state that the advisory client may select the underwriter(s) involved in a bond refunding transaction and the underwriting compensation in bond refunding transactions is subject to negotiation. Mr. Rathmann and Rathmann & Assoc. further undertake and agree that the Notification will be provided prior to the selection of the underwriter for the bond refunding.

RELEASE BY THE ATTORNEY GENERAL

19. Effective upon Mr. Rathmann's and Rathmann & Assoc.'s compliance with their obligations to make the payment set forth above in paragraph 15 and nonsuit their action as set forth in paragraph 16, the Attorney General releases Mr. Rathmann, Rathmann & Assoc., and its past and current parents, subsidiaries, affiliates, officers, directors, attorneys and employees (collectively the "Released Parties"), from all civil claims, counterclaims, cross claims, setoffs, civil causes of action of any type (whether common law, equitable, statutory, regulatory or administrative, class, individual or otherwise in nature, and whether reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, secured or

unsecured), demands, disputes, damages, restitution, whenever incurred and liabilities of any nature whatsoever, including, without limitation, costs, fines, debts, expenses, penalties and attorneys' fees, known or unknown, arising out of the State's Allegations that could have been asserted by the Attorney General in his sovereign capacity as chief law enforcement officer of the State of Texas (the "Released Claims").

20. The Attorney General intends by this Settlement Agreement to settle with and release only the Released Parties, and does not intend this Settlement Agreement, or any part hereof or any other aspect of the settlement or the release, to extend to, to release or otherwise to affect in any way any rights that the Attorney General has or may have against any other person, party, or entity whatsoever.

21. Nothing herein shall be construed to prevent the Attorney General, Rathmann & Assoc., or Mr. Rathmann from pursuing an action to enforce or interpret this Settlement Agreement. In this regard, the parties understand that, if necessary, the Attorney General may bring an action to enforce paragraphs 17 and 18 of the Business Practices section of this Settlement Agreement.

NOTICES AND CORRESPONDENCE

22. All notices and correspondence required to be provided to the Attorney General shall be sent electronically or by first-class mail, postage pre-paid as follows:

Bret Fulkerson
Assistant Attorney General, Antitrust Section
Office of the Texas Attorney General
300 W. 15th Street, Seventh Floor
Austin, TX 78701
bret.fulkerson@texasattorneygeneral.gov

All notices and correspondence required to be provided to Rathmann & Assoc. or Mr. Rathmann shall be sent electronically or by first-class mail, postage pre-paid as follows:

Bill Cobb
Cobb and Counsel
401 Congress Ave., Ste. 1540
Austin, Texas 78701
bill@cobbxcounsel.com

OTHER PROVISIONS

23. This Settlement Agreement is entered into voluntarily and solely for the purpose of resolving the potential claims and causes of action between Rathmann & Assoc., Mr. Rathmann, the Attorney General, and the State of Texas. This Settlement Agreement shall not be used for any other purpose in any legal proceeding or action, except in proceedings or actions to enforce or interpret this Settlement Agreement.

24. By this Settlement Agreement, Rathmann & Assoc. and Mr. Rathmann do not admit any liability or wrongdoing of any kind. This Settlement Agreement shall not constitute or be construed as an admission or evidence of any violation of any statute or law or of any liability or wrongdoing by Rathmann & Assoc. or Mr. Rathmann or bar Rathmann & Assoc. or Mr. Rathmann from asserting any defense in any litigation or administrative or other proceeding.

25. This Settlement Agreement shall not confer any rights upon, and is not enforceable by, any persons or entities other than the Attorney General and the Released Parties.

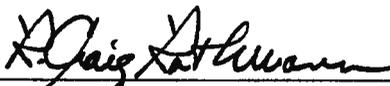
26. This Settlement Agreement may be modified by the mutual agreement of Rathmann & Assoc., Mr. Rathmann and the Attorney General. Any such modification shall be in writing and signed by all parties to this Settlement Agreement.

27. The parties agree that the state or federal courts located in Travis County, Texas, shall be the exclusive forum for resolving any disputes arising from the terms of this Settlement Agreement. Rathmann & Assoc. and Mr. Rathmann specifically agree that courts located in Travis County, Texas, may exercise personal jurisdiction over them to resolve such disputes. Texas law shall apply in any action brought by the Attorney General, Rathmann & Assoc., or Mr. Rathmann to enforce or interpret this Settlement Agreement.

28. This Settlement Agreement may be executed in counterparts.

WHEREFORE, IT IS SO AGREED AND the following signatures are affixed hereto on this 10th day of October, 2014.

For
R.Craig Rathmann and
Rathmann & Associates, L.P.

By: 
R. Craig Rathmann

For
Attorney General for the State of Texas

By: 
Bret Fulkerson
Assistant Attorney General
Consumer Protection Division