

HTD POLICIES AND PROCEDURES FOR BID-WANTEDS AND OFFERINGS

This document is intended to disclose the nature of HTD's undertaking for the seller and bidders in bid-wanted and offerings in municipal securities transactions. It addresses the Policies and Procedures defined in section (c) of MSRB rule G-43

HTD is an ATS registered with the SEC. We are also a "broker's broker" and proud of our heritage. For purposes of this rule, with respect to HTD municipal securities activities under Rule G-43, we are not regarded as an alternative trading system.

HTD is compensated on the basis of commissions. The guidelines included below reflect the maximum brokerage fees that HTD charges on a given transaction.

HTD does not maintain municipal securities in any proprietary or other accounts, other than for clearance and settlement purposes.

HTD does not engage in self-dealing.

HTD does not encourage bids that do not represent the fair market value of municipal securities that are the subject of a bid-wanted or offering. HTD uses the Munibrokers system (the "System") to interact electronically with our counterparties. The System displays a Predetermined Parameter (as discussed below) for each bid-wanted item posted by HTD. In addition, the System provides third party evaluations, trade data from the MSRB, spot and interpolated spreads to benchmark yield curves and the US Treasury (including a straight line interpolated Treasury curve) and historical market data. The System provides data that includes prices of bids and offerings on securities that may not have traded and therefore would not be available from any other source. The combination of data provided is a unique source of information to assist all System users to determine what they believe is fair and reasonable prices for any security displayed on our system.

HTD does not give preferential information to bidders in bid-wanted, including but not limited to, "last looks," directions to a specific bidder that it should "review" its bid or that its bid is "sticking out";

HTD does not change a bid price or offer price without the bidder's or seller's respective permission.

HTD will inform the seller of the highest bid in a bid-wanted or offering in all cases. As a "broker's broker" with respect to the execution of a transaction in municipal securities for or on behalf of another dealer we shall make a reasonable effort to obtain a price for the dealer that is fair and reasonable in relation to prevailing market conditions. We will employ the same care and diligence in doing so as if the transaction were being done for our own account. HTD will not take any action that works against that dealer's interest to receive advantageous pricing. HTD will be presumed to act for or on behalf of the seller in a bid-wanted for municipal securities, unless both the seller and bidders agree otherwise in writing in advance of the bid-wanted.

We comply with the requirements of section (b) of MSRB rule G-43 as follows -

- (i) (b)(i) - Bid-wanted items are disseminated verbally by brokers on the telephone, via e-mail and Bloomberg, on the System and through various data feeds which additionally support electronic bidding and STP. The System's alert system can be configured by users to deliver bid-wanted items and offerings in real-time based on pre-selected criteria established by each user. There are System generated alerts that are sent to previous bidders on each particular security that is the subject of a bid-wanted. HTD brokers are provided a list of all recent bidders on the Firm's internal trading system and all bond descriptions identify the underwriter.

- (ii) (b)(ii) - Securities of limited interest are dealt with in a similar manner. Additionally, potential bidders can access a bid-wanted search screen where they can search by various criteria including issue size, rating, call protection, sinking funds, security type and others to identify securities that may be of interest to them. Along with systematic methods and relying on potential bidders themselves to identify securities of interest, HTD brokers add an important layer to the bid gathering process. They are in daily contact with multiple potential bidders on securities of all types. Through their personal knowledge and indications of interest expressed to them through these contacts they often identify potential bidders that would have otherwise been missed.
- (iii) (b)(iii) - All "around time" bid-wanted items have a deadline for the input of bids that is the earliest of: (1) the time the seller directs HTD to sell the securities to the current high bidder, item is "For Sale"; (2) the time the seller informs HTD that the bonds will not be sold in that bid-wanted; or (3) the end of the trading day which for purposes of this rule is set at 5:00 pm. On some bid-wanted items, we use a "Firm Time" to indicate how long the bids must be good for. After the firm time, bids are considered subject and it is at the discretion of the bidder to accept a trade or not. We do provide for an "ASAP" bid-wanted where we expect the bids to be submitted generally within 15 minutes of the time the bid-wanted item is put out for the bid. The bidding deadline is the same as around time.
- (iv) (b)(iv) - If the high bid received on a bid-wanted item is above or below the Predetermined Parameters and HTD believes that the bid may have been submitted in error, HTD may contact the bidder prior to the deadline for bids to determine whether its bid was submitted in error. This will be done without the consent of the seller. If the high bid is within the Predetermined Parameters but HTD believes that the bid may have been submitted in error, HTD will contact the seller to receive permission before contacting the bidder to determine whether its bid was submitted in error. The seller's consent or denial, along with any subsequent action taken at the direction of the bidder will be documented in the record of the relevant bid.
- (v) The System does allow for correction of typographical or data entry errors. As an example, transposed numbers or bids entered on wrong items. These errors will also be documented in the record of the relevant bid and disclosed to the seller when affecting the high or cover bids.
- (vi) (b)(v) - If the high bid received on a bid-wanted item is below the Predetermined Parameters, HTD will disclose that fact to the seller. HTD will execute the trade at that bid if directed to by the seller and the seller acknowledges such disclosure and direction either orally, electronically or in writing. Once the bid is marked "put up" by an HTD broker, this information will be available on the System for a seller and additionally may be disclosed verbally by a broker. This will be documented in the record of the relevant bid.

We comply with the additional requirements of section (c) of MSRB rule G-43 as follows -

- (i) (c)(i)(D) - If the winning high bidder's bid or the cover bid on a bid-wanted item has been changed, HTD will disclose the change to the seller prior to execution and provide the seller with the original and changed bids. Once the bid is marked "put up" by an HTD broker, this information will be available on the web site for a seller and additionally may be disclosed verbally by a broker. This will be documented in the record of the relevant bid.
- (ii) (c)(i)(E) - HTD brokers with Customers (as defined in Rule D-9) and allows them to place bids on items. HTD will disclose to the seller at the time a bid is put-up on a bid-wanted item, or when an

offering trade is executed, if the contra party is a Customer. This information will be available on the System for a seller and additionally may be disclosed verbally by a broker. This will be documented in the record of the relevant bid.

- (iii) (c)(i)(F) – HTD has adopted the use of Predetermined Parameters to enable us to conduct a bid-wanted in accordance with section (b) of Rule G-43
- (iv) (c)(i)(N) - All bidders are entitled to a comment on their bid. HTD will not accept a changed bid or a new bid from a bidder on the same bid-wanted item after the HTD broker has given that bidder a comment; i.e., whether their bid is the high bid (“being used”) or not. Once that comment has been made, the bid is locked by the System and may not be altered.

We comply with the requirements for Predetermined Parameters of section (d) of MSRB rule G-43 as follows –

- (i) (d)(viii)- HTD establishes Predetermined Parameters that are formulaic and based on objective pricing criteria. They are: (A) reasonably designed to identify most bids that **may not** represent the fair market value of municipal securities to which they are applied; (B) systematically determined by HTD upon entry of a bid-wanted item in the HTD trading system and in advance of the acceptance of bids on the item; and, (C) systematically applied to all bids on that item.
- (ii) The methodology used to create the Predetermined Parameters is non-discretionary, systematically implemented, and periodically tested. The Predetermined Parameters are displayed on the detail of each bid-wanted item and are permanently stored in the record of that item. Once a bid has been received on a bid-wanted, the Predetermined Parameters for that bid-wanted cannot be altered.