



KEN PAXTON
ATTORNEY GENERAL OF TEXAS

September 22, 2021

To All Bond Counsel:

RE: Standing Letter Requirement

To evidence compliance with Senate Bills 13 and 19, in addition to requiring written verification in the relevant contracts, we are now requiring a standing letter from companies for covered contracts submitted with the record of proceedings authorizing the public securities and entered into on or after September 1, 2021. Unless specifically excepted¹, contracts covered are those between a governmental entity² and a company³ for goods or services and with a value of \$100,000 or more that is to be paid wholly or partly from public funds of the governmental entity. Until we have received an acceptable company standing letter, we will temporarily accept a comfort letter from a qualifying officer⁴ of the company confirming that the written verifications contained in the particular contract submitted with the specific public security issuance are true and correct.

The standing letter must confirm that the company, including its wholly-owned subsidiaries, majority-owned subsidiaries, parent companies, and affiliates, can make the unqualified verification required by Senate Bills 13 and 19. Senate Bill 13 requires written verification that the company does not boycott energy companies and will not boycott energy companies during the term of the contract.⁵ Senate Bill 19 requires written verification that the company does not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association during the term of the contract.⁶ Definitions may be referenced by citation to the applicable statutory definition. Alternatively, the entire statutory text of the definition may be included with an accompanying citation. The standing letter may not include qualifying language of what the company understands the law to require or not require; nor may the company state what it understands undefined terms to mean or defined terms to not mean.

¹ For exceptions, *see* Tex. Gov't Code §§ 2274.002(c) and 2274.003 (as enacted by SB 19), and § 2274.002(c) (as enacted by SB 13).

² For both Senate Bills 13 and 19, the term "governmental entity" has the meaning assigned by section 2251.001 of the Government Code. Tex. Gov't Code §§ 2274.001(3) (as enacted by SB 13) and 2274.001(8) (as enacted by SB 19). "Governmental entity" means a state agency or political subdivision of this state; a "political subdivision" means a county, municipality, public school district, special-purpose district or authority. § 2251.001(3), (6). The defined term does not include non-profit corporations acting on behalf of governmental entities.

³ As enacted by Senate Bill 13, the term "Company" has the meaning assigned by section 809.001, except that the term does not include a sole proprietorship. § 2274.001(2). As enacted by Senate Bill 19, the term "Company" has the meaning provided in section 2274.001(2). Additionally, the written verification requirements do not apply if the Company has fewer than ten full-time employees. *See* §2274.002(a) (as enacted by both SB 13 and SB 19).

⁴ A company's general counsel, chief compliance officer, managing director or other comparable officer knowledgeable of the company's practices may provide the comfort letter.

⁵ Tex. Gov't Code §§ 2274.002(b) (as enacted by SB 13).

⁶ Tex. Gov't Code §§ 2274.002(b) (as enacted by SB 19).

As with the comfort letter, the company's general counsel, chief compliance officer, managing director or other comparable officer may submit the standing letter. The qualifying officer must include the Office of the Attorney General as an addressee and permit our office to rely on the letter in our review and approval of public securities. The letter must reflect the company's obligation to inform this office immediately, in writing, should the letter no longer be effective. Please submit standing letters to this office by email to PFDSupport@oag.texas.gov and copy our research specialist, Mr. Klein K. Allison, at Klein.Allison@oag.texas.gov.

For consistency, we will also require that the standing letter confirm the company's ability to make the written verification required by section 2271.002 of the Government Code that the company does not boycott Israel and will not boycott Israel during the term of the contract; however, we will not require a comfort letter during the interim. Additionally, the standing letter must confirm that the company is not a listed company for purposes of section 2252.152 of the Government Code. To the extent a verification for purposes of section 2252.152 specifies the applicable URL on the Comptroller's website, the company will need to update the standing letter should the URL change.

In an effort to provide guidance, we have attached a form standing letter that issuers may provide to applicable companies. The standing letter may contain substantially similar language to the attached form and may contain additional representations as needed for security offerings provided that the substantially similar language and additional representations do not conflict with the requirements of this letter or with the verification statutes. Verifications may be made subject to applicable Texas and federal law. We reserve the right to accept, reject, or seek modification of any standing letter or seek additional follow-up information, as provided by law.

We have provided this letter pursuant to our authority under section 402.044 of the Government Code, which requires that we advise the proper legal authorities regarding the issuance of bonds that by law require the Attorney General's approval. However, please note that this letter does not dictate how a court may rule in a legal proceeding.

Sincerely,



Leslie Brock
Assistant Attorney General
Chief, Public Finance Division

Form Standing Letter

[Date]

Via email: PFDSupport@oag.texas.gov

Office of the Attorney General of Texas
Public Finance Division
300 West 15th Street, 7th Floor
Austin, Texas 78701

Office of the Attorney General of Texas:

To the extent any of its contracts with a governmental entity is a contract for goods or services submitted with the record of public security proceedings, the undersigned company, for purposes of sections 2252.152, 2271.002, and 2274.002, Texas Government Code, as amended, hereby verifies that the company and any parent company, wholly owned subsidiary, majority-owned subsidiary, and affiliate:

- 1) Do not boycott energy companies and are authorized to agree in such contracts not to boycott energy companies during the term of such contracts. “Boycott energy company” has the meaning provided in section 809.001 of the Texas Government Code.
- 2) Do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and are authorized to agree in such contracts not to discriminate against a firearm entity or firearm trade association during the term of such contracts. “Discriminate against a firearm entity or firearm trade association” has the meaning provided in section 2274.001(3) of the Texas Government Code. “Firearm entity” and “firearm trade association” have the meanings provided in section 2274.001(6) and (7) of the Texas Government Code.
- 3) Do not boycott Israel and are authorized to agree in such contracts not to boycott Israel during the term of such contracts. “Boycott Israel” has the meaning provided in section 808.001 of the Texas Government Code.
- 4) Unless affirmatively declared by the United States government to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization, are not identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under section 2252.153 or section 2270.0201 of the Texas Government Code.

“Affiliate” means any entity that controls, is controlled by, or is under common control with the company within the meaning of SEC Rule 405, 17. C.F.R. § 230.405 and exists to make a profit.

The Office of the Attorney General of Texas may rely on this letter in its review and approval of public securities under Texas law. Should a change occur that renders this letter ineffective, the company shall notify the Public Finance Division immediately by email to PFDSupport@oag.texas.gov with the phrase “Ineffective Standing Letter” in the subject heading.

[Name of Company]

By: /s/ [state name and title of qualifying officer]