



KEN PAXTON
ATTORNEY GENERAL OF TEXAS

April 27, 2022

To All Bond Counsel:

RE: Procedures for Standing Letters Under Review

We require standing letters to evidence compliance with the statutes prohibiting contracts with companies boycotting energy companies or discriminating against firearm industries.¹ Some issuers have executed a contract containing the required verifications from a company that provided the required standing letter; however, they subsequently learned after submitting the bond transcript that the company's standing letter is under review. This letter provides procedures for issuers to follow during the pendency of that review. We do not address at this time the impact to the issuer's closing once a final determination is made after the review period because we must consider applicable law and the particular facts of the bond transaction affected.

Most recently, some issuers have learned that they have executed a contract with a company notified by the Comptroller that the company may appear on the State's list of financial companies that boycott energy companies. In his notification letter, the Comptroller requests written verification from the financial company pursuant to chapter 809 of the Government Code. Failing to provide the written verification within 60 days after receipt of the Comptroller's request creates a statutory presumption that the company boycotts energy companies.² The Comptroller's request effectively puts the company's standing letter with this office under review because the definition of "boycott energy company" under chapter 2274 has the meaning assigned under chapter 809.³ When an issuer has entered into a contract with a company whose standing letter is under review under these or similar circumstances, the issuer should follow the procedures below.

During the pendency of the Comptroller's review under chapter 809, the bond transcript may continue to contain covered contracts with companies from whom the Comptroller has requested written verification, provided that the issuer confirms with the company shortly before closing that we can continue to rely on their standing letter and that the company intends to timely respond to the Comptroller's request. In such case, we will ask you to email us this confirmation prior to the release of our approving opinions. For covered contracts in which the term of the agreement with the financial company extends beyond the review period with the Comptroller, the contract should allow the issuer to find a replacement should the company become a listed company after the review period without penalty to the Issuer.

¹ See All Bond Counsel Letter, dated September 22, 2021; Tex. Gov't Code §§ 2274.002 (as enacted by Senate Bill 13), 2274.002 (as enacted by Senate Bill 19).

² Tex. Gov't Code § 809.051(b).

³ See Tex. Gov't Code §§ 809.001(1), 2274.001(1) (as enacted by Senate Bill 13).

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 about 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,

A handwritten signature in cursive script that reads "Leslie Brock".

Leslie Brock
Assistant Attorney General Chief,
Public Finance Division