

OFFICIAL NOTICE OF SALE

\$16,150,000

CLEAR LAKE CITY WATER AUTHORITY

(A political subdivision of the State of Texas located primarily in Harris County)

**WATERWORKS AND SEWER SYSTEM
COMBINATION UNLIMITED TAX AND REVENUE BONDS
SERIES 2018**

BIDS TO BE SUBMITTED BY:
12:00 P.M., CENTRAL TIME
TUESDAY, NOVEMBER 20, 2018

BONDS TO BE AWARDED:
7:00 P.M., CENTRAL TIME
TUESDAY, NOVEMBER 20, 2018

This Official Notice of Sale does not alone constitute an invitation for bids, but is merely notice of sale of the bonds described herein. The invitation for such bids is being made by means of this Official Notice of Sale, the Official Bid Form, and the Official Statement.

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WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS

SERIES 2018

BONDS OFFERED FOR SALE AT COMPETITIVE BID: The Board of Directors (the "Board") of Clear Lake City Water Authority (the "Authority") is offering for sale at competitive bid \$16,150,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2018 (the "Bonds").

METHODS FOR SUBMISSION OF BIDS AND BID FORMS: Bids for the Bonds may be submitted by any one the following methods:

1. Submit bids in writing as described below under "WRITTEN BIDDING PROCEDURE."
2. Submit bids electronically as described below under "ELECTRONIC BIDDING PROCEDURE."
3. Submit bids by telephone as described below under "TELEPHONIC BIDDING PROCEDURE."

All bids must be submitted by 12:00 P.M., Central Time, on Tuesday, November 20, 2018. Any prospective bidder must also submit, by 12:00 P.M., Central Time, on Tuesday, November 20, 2018, signed Official Bid Form(s) to the Authority's financial advisor, Robert W. Baird & Co. Incorporated (the "Financial Advisor"), as more fully described below. Any bid or bid form submitted after such scheduled time for bid receipt will not be accepted and will be returned unopened. The Authority will not accept bids by facsimile. See "CONDITIONS OF SALE – REQUIRED DISCLOSURE OF INTERESTED PARTIES" for additional requirements concerning submission of bids.

WRITTEN BIDDING PROCEDURE: A prospective bidder that intends to submit its bid in writing must do so in accordance with this paragraph. Two (2) sealed bids, which must be submitted on the Official Bid Form and plainly marked "Bid for Bonds," are to be addressed to "President and Board of Directors, Clear Lake City Water Authority." The two (2) sealed bids must be submitted on signed Official Bid Forms and delivered, by 12:00 P.M., Central Time, on Tuesday, November 20, 2018, to the office of the Financial Advisor, as follows: Robert W. Baird & Co. Incorporated, Attn: Jan Bartholomew, 1331 Lamar Street, Suite 1360, Houston, Texas 77010. For purposes of the written bidding procedure, the time as maintained by PARITY (described below) shall constitute the official time.

ELECTRONIC BIDDING PROCEDURE: A prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. A prospective bidder that intends to submit an electronic bid must also submit, prior to 12:00 P.M., Central Time, on Tuesday, November 20, 2018, one (1) signed copy of the Official Bid Form that is signed but otherwise incomplete to the Financial Advisor by e-mail to the following address: jbartholomew@rwbaird.com. Subscription to i-Deal's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The Authority will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. Electronic bids must be received via PARITY in the manner described below, until 12:00 P.M., Central Time, on Tuesday, November 20, 2018.

Electronic bids must be submitted via PARITY in accordance with this Official Notice of Sale, until 12:00 P.M., Central Time, but no bid will be received after the time for receiving bids specified above. An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the

terms provided in this Official Notice of Sale and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the Authority. The Authority shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

If any provisions of this Official Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from i-Deal, 1359 Broadway, 2nd Floor, New York, New York 10018, (212) 849-5000.

For purposes of the electronic bidding process, the time as maintained by PARITY shall constitute the official time. For information purposes only, bidders are requested to state in their electronic bids the net effective interest rate to the Authority, as described under "CONDITIONS OF SALE - BASIS OF AWARD" below. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form. See "CONDITIONS OF SALE - REQUIRED DISCLOSURE OF INTERESTED PARTIES" for additional requirements concerning submission of bids.

TELEPHONIC BIDDING PROCEDURE: Any prospective bidder that intends to submit its bid by telephone must submit its bid in accordance with this section. Prior to 12:00 P.M., Central Time, on Tuesday, November 20, 2018, bidders must submit two (2) signed Official Bid Forms, executed by an authorized representative of the bidder, to Robert W. Baird & Co. Incorporated, Attn: Jan Bartholomew, 1331 Lamar Street, Suite 1360, Houston, Texas 77010. Bidders who have provided signed bid forms may thereafter submit bids by telephone on the date of sale by 12:00 P.M., Central Time. Inquiries with respect to this procedure may be directed to Jan Bartholomew of Robert W. Baird & Co. Incorporated at (713) 230-6121.

Jan Bartholomew of Robert W. Baird & Co. Incorporated will call telephone bidders who have submitted signed Official Bid Forms prior to the date of the sale. Contact Jan Bartholomew of Robert W. Baird & Co. Incorporated, on the day of the sale to obtain the phone number.

LATE BIDS AND IRREGULARITIES: Robert W. Baird & Co. Incorporated is not authorized and will not be responsible for the submission of any bids made after the time prescribed, nor does the Authority or Robert W. Baird & Co. Incorporated assume any responsibility or liability with respect to any irregularities associated with the submission, delivery, or electronic transmission of any bid. **The Authority and the Board reserve the right to reject any and all bids and to waive any irregularities, except time of filing.**

AWARD AND SALE OF THE BONDS: The Authority will take action to adopt an order authorizing the issuance and awarding sale of the Bonds (the "Bond Order") or will reject all bids promptly after the opening of bids at 7:00 P.M., Central Time, on Tuesday, November 20, 2018. The Board reserves the right to reject any or all bids and to waive any irregularities, except time of filing. Please note that all bids must comply with the requirement listed in "CONDITIONS OF SALE - REQUIRED DISCLOSURE OF INTERESTED PARTIES."

THE BONDS

DESCRIPTION OF CERTAIN TERMS OF THE BONDS: The Bonds will be dated and accrue interest from December 1, 2018, with interest payable on March 1, 2019, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or prior redemption. The Bonds will be issued only in fully registered form. Principal is payable to the registered owner(s) of the Bonds (the "Bondholder(s)") upon presentation and surrender at the principal corporate trust office of the paying agent/registrar, initially, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check of the Paying Agent/Registrar, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to the Bondholders, as shown on the records of the Paying Agent/Registrar at the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"). The Bonds will be registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and

interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See “THE BONDS – Book-Entry-Only System” in the Preliminary Official Statement. The Bonds will mature serially on March 1 in each of the following years in the following amounts:

Maturity (March 1)	Principal Amount	Maturity (March 1)	Principal Amount
2019	\$715,000	2029	\$795,000
2020	570,000	2030	825,000
2021	590,000	2031	855,000
2022	610,000	2032	890,000
2023	635,000	2033	925,000
2024	660,000	2034	960,000
2025	685,000	2035	995,000
2026	710,000	2036	1,035,000
2027	740,000	2037	1,075,000
2028	765,000	2038	1,115,000

SERIAL BONDS AND TERM BONDS: Bidders may provide that all the Bonds be issued as serial bonds or may provide that any two or more consecutive annual principal amounts may be combined into one or more term bonds.

REDEMPTION PROVISIONS: The Bonds maturing on and after March 1, 2024, are subject to redemption and payment, at the option of the Authority, in whole or, from time to time, in part, on March 1, 2023, or on any date thereafter, at a price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption. If less than all the Bonds are redeemed at any time, the Authority shall determine the maturity or maturities and the amounts thereof to be redeemed, in integral multiples of \$5,000 in principal amount, and if less than all of the Bonds within a maturity are to be redeemed, the Paying Agent/Registrar shall select by lot or other customary method of random selection the Bonds within such maturity to be redeemed. The holder of any Bond, all or a portion of which has been called for redemption, will be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of such Bond called for redemption and for the issuance of an exchange Bond in a principal amount equal to the portion of the Bond not so redeemed.

SECURITY FOR PAYMENT: The Bonds, when issued, will constitute valid and binding obligations of the Authority, payable as to principal and interest from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the Authority and will further be payable from and secured by a pledge of the net revenues, if any, of the Authority’s waterworks and sanitary sewer facilities. The Authority’s waterworks and sanitary sewer facilities are not expected to produce sufficient net revenues to make any significant contributions to future debt service payments.

OTHER TERMS AND COVENANTS: Other terms of the Bonds and the various covenants of the Authority contained in the Bond Order are described in the Preliminary Official Statement, to which reference is made for all purposes.

MUNICIPAL BOND INSURANCE AND RATING: The Authority has made applications for a commitment for municipal bond guaranty insurance on the Bonds. Moody’s Investors Service, Inc. has assigned an underlying credit rating of “Aa3” to the Bonds. See “MUNICIPAL BOND INSURANCE” and “MUNICIPAL BOND RATING” in the Preliminary Official Statement.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block on an “all or none” basis at a price of not less than 97% of the principal amount thereof, plus accrued interest from the date of the Bonds to the date of delivery. Bidders are to name the rates of interest to be borne by the Bonds, provided that each interest rate bid must be a multiple of 1/8th or 1/20th of 1%. All Bonds maturing within a single year must bear the same rate of interest. The net effective interest rate on the Bonds may not exceed 6.37%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended. No limitation will be

imposed upon bidders as to the number of rates which may be used, but the highest rate bid may not exceed the lowest rate bid by more than 2-1/2% in interest rate. Each bid shall indicate the total and net interest costs in dollars and the net effective interest rate determined therefrom, which shall be considered informative only and not as a part of the bid. No bid generating a cash premium greater than \$5,000 will be accepted.

BASIS OF AWARD: For the purpose of awarding sale of the Bonds, the interest cost of each bid will be computed by determining, at the rates specified therein, the total dollar value of all interest on the Bonds from the date thereof to their respective maturities and adding thereto the discount bid, if any. Subject to the Authority's right to reject any or all bids, sale of the Bonds will be awarded to the bidder (the "Underwriter") whose bid, under the above computation, produces the lowest net interest cost to the Authority. The Board reserves the right to reject any or all bids. In the event of mathematical discrepancies between the interest rate(s) bid and the interest cost determined therefrom, as both appear on the Official Bid Form, the bid will be governed solely by the interest rate(s) bid.

GOOD FAITH DEPOSIT: Each bid must be accompanied by a bank cashier's check payable to the order of "Clear Lake City Water Authority" in the amount of \$323,000 which is 2.00% of the par value of the Bonds (the "Good Faith Deposit"). "Official Checks" will not be accepted. The check of the Underwriter will be considered as the Good Faith Deposit and will be retained uncashed by the Authority pending the Underwriter's compliance with the terms of the bid. In the event the Underwriter should fail or refuse to take up and pay for the Bonds in accordance with such terms, then the Good Faith Deposit will be cashed and the proceeds accepted by the Authority as full and complete liquidated damages. The Good Faith Deposit may accompany the bid or it may be submitted separately; if submitted separately, it shall be made available to the Authority prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which authorize its use as the Good Faith Deposit of bidders named in such instructions. **THE GOOD FAITH DEPOSIT OF THE UNDERWRITER WILL BE RETURNED TO THE UNDERWRITER UNCASHED ON THE DATE OF DELIVERY OF THE BONDS.** No interest will be credited on the Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Bonds has been made.

COMPETITIVE BIDDING AND CERTIFICATE OF UNDERWRITER: In the event that the Authority does not receive sufficient qualified bids to satisfy the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i), allowing the Authority to treat the reasonably expected initial offering price to the public as of the sale date as the issue price of the Bonds, the "hold-the-offering-price rule" shall apply, which will allow the Authority to treat the initial offering price to the public of each maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule applies to any maturity of the Bonds, the Underwriter will neither offer nor sell that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following: (a) the date on which the Underwriter has sold at least 10 percent of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public or (b) the close of the fifth business day after the sale date.

The Underwriter agrees to promptly report to the Authority's financial advisor when it has sold 10 percent of a maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public if that occurs prior to the close of the fifth business day after the sale date. Alternative Certificates of Underwriter are attached for use (I) when the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i) are met and (II) when such requirements are not met.

REQUIRED DISCLOSURE OF INTERESTED PARTIES: Bidders, including any syndicate member listed on the Official Bid Form, who are not publicly traded business entities, or wholly owned subsidiaries of a publicly traded business entity, must submit to the Authority a completed and signed Texas Ethics Commission Form 1295 ("TEC Form 1295") in accordance with Texas Government Code Section § 2252.908. If required, the TEC Form 1295 may accompany the Official Bid Form or may be submitted separately, but must be provided to the Authority prior to the time prescribed for the award of the Bonds. If required the TEC Form 1295 may be provided to the Authority via facsimile or electronically; however, the original signed TEC Form 1295, including certificate number, must be physically delivered to the Authority within two business days of the award. The Authority reserves the right to reject any bid that does not comply with the requirements

prescribed herein, if applicable, or to waive any such requirements. For purposes of completing the TEC Form 1295, box two is "Clear Lake City Water Authority" and box 3 is "CLCWA - S2018 - B." Neither the Authority nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the TEC Form 1295. Consequently, any entity who is not a publicly traded business entity, or a wholly owned subsidiary of a publicly traded business entity, should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the Authority that its bid is the apparent winning bid.

COMPLIANCE WITH LAWS PROHIBITING CONTRACTS WITH COMPANIES BOYCOTTING ISRAEL AND CERTAIN COMPANIES ENGAGED IN BUSINESS WITH IRAN, SUDAN, OR FOREIGN TERRORIST ORGANIZATIONS: The Authority will not award the Bonds to a bidder unless the bidder verifies that it, as well as any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations that exists to make a profit, does not boycott Israel and agrees it, as well as any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations that exists to make a profit, will not boycott Israel through the delivery date of the Bonds. Similarly, the Authority will not award the Bonds to a bidder unless the bidder certifies that it, as well as any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations that exists to make a profit, does not engage in business with Iran, Sudan, or a foreign terrorist organization (as defined by Section 2252.151(2), Texas Government Code) and has not been identified as having engaged in business with Iran, Sudan, or a foreign terrorist organization on a list prepared and maintained by the Texas Comptroller of Public Accounts. By submitting a bid, bidder makes and certifies to the representations necessary and convenient for the compliance with the aforementioned laws and agrees to execute further written certificates as may be necessary or convenience for the Authority to establish compliance with the aforementioned laws.

OFFICIAL STATEMENT

To assist the Underwriter in complying with Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission ("SEC"), the Authority and the Underwriter contract and agree, by the submission and acceptance of the winning bid, as follows:

FINAL OFFICIAL STATEMENT: The Authority has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the Authority intends the Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Underwriter and other similar information, terms and provisions to be specified in the competitive bidding process. The Underwriter shall be responsible for promptly informing the Authority of the initial offering yields of the Bonds. Thereafter, the Authority will complete and authorize distribution of the Official Statement identifying the Underwriter and containing such omitted information. The Authority does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Underwriter on or after the sale date, the Authority intends the same to be final as of such date, within the meaning of the Rule. Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are being or which will be made by the Authority are those described and contained in the Official Statement under the caption "SOURCES OF INFORMATION - Certification as to Official Statement."

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, the Authority learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - CONDITIONS TO DELIVERY," the Authority will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the Authority

to do so will terminate when the Authority delivers the Bonds to the Underwriter, unless the Underwriter notifies the Authority on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the Authority's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the Authority delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

DELIVERY OF OFFICIAL STATEMENTS: The Authority shall furnish to the Underwriter (and to each participating underwriter of the Bonds, within the meaning of the Rule, designated by the Underwriter), within seven (7) business days after the sale date, the aggregate number of Official Statements specified in the winning bid. The Authority also shall furnish to the Underwriter a like number of any supplements or amendments approved and authorized for distribution by the Authority for dissemination to potential purchasers of the Bonds, as well as such additional copies of the Official Statement or any such supplements or amendments as the Underwriter may request prior to the 90th day after the end of the underwriting period described in SEC Rule 15c2-12(e)(2). The Authority shall pay the expense of preparing the number of copies of the Official Statement specified in the winning bid and an equal number of any supplements or amendments issued on or before the delivery date, but the Underwriter shall pay for all other copies of the Official Statement or any supplement or amendment thereto.

DELIVERY AND ACCOMPANYING DOCUMENTS

DELIVERY OF INITIAL BONDS: Initial delivery of the Bonds ("Initial Delivery") will be as set forth below. Unless otherwise agreed with the Underwriter, delivery will be at the corporate trust office of the Paying Agent/Registrar in Dallas, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the Authority, or as otherwise directed by the Authority. If, at the time of closing, the Underwriter has provided the Paying Agent/Registrar five (5) business days' written notice of its registration instructions, the Underwriter shall not be required to pay for the initial Bonds until the Paying Agent/Registrar is able to deliver to the Underwriter definitive, registered Bonds conforming to such registration instructions. The Underwriter will be given six (6) business days' notice of the time fixed for delivery of the Bonds.

It is anticipated that Initial Delivery can be made on or about December 18, 2018, and subject to the aforesaid notice, it is understood and agreed that the Underwriter will accept delivery and make payment for the initial Bonds by 10:00 A.M., Central Time, on December 18, 2018, or thereafter on the date the initial Bonds are tendered for delivery, up to and including January 17, 2019. If for any reason the Authority is unable to make delivery on or before January 17, 2019, then the Authority immediately shall contact the Underwriter and offer to allow the Underwriter to extend its offer for an additional thirty (30) days. If the Underwriter does not elect to extend its offer within six (6) days thereafter, then the Good Faith Deposit will be returned, and both the Authority and the Underwriter shall be relieved of any further obligation.

EXCHANGE ON DELIVERY DATE: Upon written request of the Underwriter, delivered to the Paying Agent/Registrar not less than five (5) business days prior to the date fixed for delivery, the Paying Agent/Registrar will, on the delivery date, exchange the Bonds to be delivered by the Authority for Bonds registered in accordance with instructions contained in such request, in integral multiples of \$5,000, maturing as set out in this Official Notice of Sale and bearing interest in accordance with the terms of the Underwriter's bid.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Bonds in accordance with the terms of this Official Notice of Sale. All expenses relating to the printing of CUSIP numbers on the Bonds shall be paid for by the Authority; however, payment of the CUSIP Global Services charge for the assignment of the numbers shall be the responsibility of the Underwriter.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Underwriter's receipt of the initial Bonds (or definitive Bonds if the Underwriter has provided the Paying Agent/Registrar with registration instructions as provided above), the Underwriter's receipt of the legal opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, and the no-litigation certificate, and the non-

occurrence of the events described below under “NO MATERIAL ADVERSE CHANGE,” all as described below. Further, the Underwriter is not obligated to take up and pay for the Bonds at Initial Delivery if at any time after the award of the Bonds and at or prior to Initial Delivery, the Congress of the United States shall have declared war or a national emergency. In addition, if the Authority fails to comply with its obligations described under “OFFICIAL STATEMENT” above, the Underwriter may terminate its contract to purchase the Bonds by delivering written notice to the Authority within five (5) days thereafter.

UNDERWRITER’S CERTIFICATION OF ISSUE PRICE: In order to provide the Authority with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the “Code”), relating to the exclusion of interest on the Bonds from gross income for federal income tax purposes, and subject to the section entitled “CONDITIONS OF SALE – COMPETITIVE BIDDING AND CERTIFICATE OF UNDERWRITER” herein, the Underwriter will be required to complete, execute and deliver to the Authority (on or before the date of delivery of the Bonds) a certification regarding the “issue price” of the Bonds substantially in one of the forms accompanying this Official Notice of Sale. In the event the Underwriter will not reoffer the Bonds for sale or is unable to sell a substantial amount of the Bonds of any maturity by the date of delivery, such certificate may be modified in a manner acceptable to the Authority. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate by the date of delivery of the Bonds, if its bid is accepted by the Authority. It will be the responsibility of the Underwriter to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel. See “LEGAL MATTERS” and “TAX EXEMPTION” in the Preliminary Official Statement. Such opinions express no opinion with respect to the sufficiency of the security or marketability of the Bonds.

LEGAL OPINIONS: The Authority will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General of Texas has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the Authority payable from the proceeds of an annual ad valorem tax, levied without legal limitation as to rate or amount upon all taxable property in the Authority.

The Authority will also furnish the approving legal opinion of Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the Authority under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the Authority. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes without legal limitation as to rate or amount, upon all taxable property within the Authority, and that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for those corporations that may be subject to the alternative minimum tax for a portion of 2018. The Tax Cuts and Jobs Act, which became law on December 22, 2017, repealed the alternative minimum tax on corporations for tax years beginning after December 31, 2017. Therefore, it is possible that corporations with tax years which differ from the calendar year may be subject to the alternative minimum tax for a portion of 2018. See “LEGAL MATTERS” and “TAX EXEMPTION” in the Preliminary Official Statement. Such opinions express no opinion with respect to the sufficiency of the security for or marketability of the Bonds.

DTC DEFINITIVE BONDS: After delivery, the Bonds will be issued in book-entry-only form. Cede & Co. is the nominee for DTC. All references herein to the registered owners of the Bonds shall mean Cede & Co. and not the beneficial owners of the Bonds. Purchase of beneficial interests in the Bonds will be made in book-entry-only form (without registered Bonds) in the denomination of \$5,000 principal amount or any integral multiple thereof. Under certain limited circumstances described herein, the Authority may determine to forego immobilization of the Bonds at DTC, or another securities depository, in which case, such beneficial interests would become exchangeable for one or more fully registered Bonds of like principal amount for the Bonds. See “THE BONDS – Book-Entry-Only System” in the Preliminary Official Statement.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS: The Authority will not designate the Bonds as “qualified tax-exempt obligations” for financial institutions.

NO-LITIGATION CERTIFICATE: With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the Authority, execute and furnish to the Underwriter a certificate to the effect that no litigation of any nature has been filed or is then pending against the Authority, of which the Authority has notice, to restrain the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

NO MATERIAL ADVERSE CHANGE: The obligations of the Underwriter to take up and pay for the Bonds, and of the Authority to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition of the Authority (financial or otherwise) subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

GENERAL CONSIDERATIONS

INVESTMENT CONSIDERATIONS: The Bonds are subject to investment risks as set forth in this Preliminary Official Statement. Prospective purchasers should review the entire Preliminary Official Statement before making an investment decision. See “INVESTMENT CONSIDERATIONS” in the Preliminary Official Statement.

RESERVATION OF RIGHTS: The Authority reserves the right to reject all bids or any bid not conforming with the terms hereof and the right to waive any and all irregularities, except time of filing.

NOT AN OFFER TO SELL: This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement, and the Official Bid Form.

SECURITIES REGISTRATION AND QUALIFICATION: No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws or regulations of any other jurisdiction. The Authority assumes no responsibility for registration or qualification of the Bonds under the securities laws or regulations of any other jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

By submission of a bid, the Underwriter represents that the sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification or, where necessary, the Underwriter will register or qualify the Bonds in accordance with the securities laws or regulations of any jurisdiction which so requires. The Authority agrees to cooperate, at the Underwriter’s written request and expense, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification, in any jurisdiction where such action is necessary.

CONTINUING DISCLOSURE AGREEMENT: The Authority will agree in the Bond Order to provide certain periodic information and notices of material events in accordance with the Rule, as described in the Preliminary Official Statement under “CONTINUING DISCLOSURE OF INFORMATION.” The Underwriter’s obligation to accept and pay for the Bonds is conditioned upon delivery to the Underwriter or its agent of a certified copy of the Bond Order containing the agreement described under such heading.

ADDITIONAL COPIES: Additional copies of this Official Notice of Sale, the Official Bid Form, and the Preliminary Official Statement may be obtained from Robert W. Baird & Co. Incorporated, 1331 Lamar Street, Suite 1360, Houston, Texas 77010.

/s/ John Branch
President, Board of Directors
Clear Lake City Water Authority

October 11, 2018

CERTIFICATE OF UNDERWRITER – FEDERAL TAX COMPETITIVE BIDDING REQUIREMENTS MET

The undersigned hereby certifies as follows with respect to the sale of \$16,150,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2018 (the “Bonds”), by Clear Lake City Water Authority (the “Authority”).

1. The undersigned is the underwriter or the manager of the syndicate of underwriters (“Underwriter”) that has purchased the Bonds from the Authority at competitive sale.

2. The Underwriter was not given the opportunity to review other bids prior to submitting its bid, and the bid submitted by the Underwriter constituted a firm bid to purchase the Bonds.

3. As of the Sale Date (defined below), the reasonably expected initial offering prices of the Bonds to the public by the Underwriter (expressed as a percentage of principal amount and exclusive of accrued interest) is as set forth below.

<u>Maturity (March 1)</u>	<u>Principal Amount at Maturity</u>	<u>Price/Yield</u>	<u>Maturity (March 1)</u>	<u>Principal Amount at Maturity</u>	<u>Price/Yield</u>
2019	\$715,000	_____%	2029	\$795,000	_____%
2020	570,000	_____%	2030	825,000	_____%
2021	590,000	_____%	2031	855,000	_____%
2022	610,000	_____%	2032	890,000	_____%
2023	635,000	_____%	2033	925,000	_____%
2024	660,000	_____%	2034	960,000	_____%
2025	685,000	_____%	2035	995,000	_____%
2026	710,000	_____%	2036	1,035,000	_____%
2027	740,000	_____%	2037	1,075,000	_____%
2028	765,000	_____%	2038	1,115,000	_____%

4. The Underwriter [has] [has not] purchased bond insurance for the Bonds. The bond insurance has been purchased from _____ (the “Insurer”) for a fee of \$_____ (net of any non-guarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer’s commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arms-length charge for the transfer of credit risk. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that had not been earned.

5. The term “public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an underwriter or a related party to an underwriter. A related party generally means two or more persons with greater than 50 percent common ownership, directly or indirectly.

6. The term “Sale Date” means the first date on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is November 20, 2018.

7. The undersigned understands that the statements made herein will be relied upon by the Authority and Sanford Kuhl Hagan Kugle Parker Kahn LLP in complying with the conditions imposed by the

Internal Revenue Code of 1986, as amended, on the exclusion of interest on the Bonds from the gross income of their owners for federal income tax purposes.

EXECUTED AND DELIVERED this _____ day of _____, 2018.

(Name of Underwriter or Manager)

By: _____

Title: _____

CERTIFICATE OF UNDERWRITER – FEDERAL TAX COMPETITIVE BIDDING REQUIREMENTS NOT MET

The undersigned hereby certifies as follows with respect to the sale of \$16,150,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2018 (the “Bonds”), by Clear Lake City Water Authority (the “Authority”).

1. The undersigned is the underwriter or the manager of the syndicate of underwriters (“Underwriter”) that has purchased the Bonds from the Authority at competitive sale.

2. As of the date of this certificate, for each of the following maturities (the “Sold Maturities”), the first price at which a substantial amount (at least ten percent) of such maturity was sold to the public (expressed as a percentage of principal amount and exclusive of accrued interest) is set forth below:

<u>Maturity (March 1)</u>	<u>Principal Amount at Maturity</u>	<u>Price/Yield</u>	<u>Maturity (March 1)</u>	<u>Principal Amount at Maturity</u>	<u>Price/Yield</u>
2019	\$715,000	_____%	2029	\$795,000	_____%
2020	570,000	_____%	2030	825,000	_____%
2021	590,000	_____%	2031	855,000	_____%
2022	610,000	_____%	2032	890,000	_____%
2023	635,000	_____%	2033	925,000	_____%
2024	660,000	_____%	2034	960,000	_____%
2025	685,000	_____%	2035	995,000	_____%
2026	710,000	_____%	2036	1,035,000	_____%
2027	740,000	_____%	2037	1,075,000	_____%
2028	765,000	_____%	2038	1,115,000	_____%

3. As of the Sale Date (defined below), each of the following maturities (the “Unsold Maturities”) was offered to the public for purchase at the price (expressed as a percentage of principal amount and exclusive of accrued interest) set forth below:

<u>Maturity (March 1)</u>	<u>Principal Amount at Maturity</u>	<u>Price/Yield</u>	<u>Maturity (March 1)</u>	<u>Principal Amount at Maturity</u>	<u>Price/Yield</u>
2019	\$715,000	_____%	2029	\$795,000	_____%
2020	570,000	_____%	2030	825,000	_____%
2021	590,000	_____%	2031	855,000	_____%
2022	610,000	_____%	2032	890,000	_____%
2023	635,000	_____%	2033	925,000	_____%
2024	660,000	_____%	2034	960,000	_____%
2025	685,000	_____%	2035	995,000	_____%
2026	710,000	_____%	2036	1,035,000	_____%
2027	740,000	_____%	2037	1,075,000	_____%
2028	765,000	_____%	2038	1,115,000	_____%

4. As set forth in the Official Notice of Sale, the Underwriter has agreed in writing that, for each of the Unsold Maturities, the Underwriter would neither offer nor sell any of the Bonds of such maturity to any person at a price that is higher than the initial offering price for each maturity, as set forth in the pricing wire or equivalent communication for the Bonds attached to this certificate, during the Offering Period (defined below) for such maturity, nor would the Underwriter permit a related party to do so. Pursuant to such agreement, the Underwriter has neither offered nor sold any of the Unsold Maturities at a price higher than the respective initial offering price for that maturity of the Bonds during the Offering Period.

5. The Underwriter [has] [has not] purchased bond insurance for the Bonds. The bond insurance has been purchased from _____ (the “Insurer”) for a fee of \$_____ (net of any non-guarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer’s commitment

and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arms-length charge for the transfer of credit risk. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that had not been earned.

6. The term "public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an underwriter or a related party to an underwriter. A related party generally means two or more persons with greater than 50 percent common ownership, directly or indirectly.

7. The term "Sale Date" means the first date on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is November 20, 2018.

8. The term "Offering Period" means, with respect to an Unsold Maturity, the period beginning on the Sale Date and ending on the earlier of (a) the close of the fifth business day after the Sale Date or (b) the date on which the Underwriter has sold at least 10 percent of such Unsold Maturity to the public at a price that is no higher than the initial offering price for such Unsold Maturity.

9. The undersigned understands that the statements made herein will be relied upon by the Authority and Sanford Kuhl Hagan Kugle Parker Kahn LLP in complying with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the exclusion of interest on the Bonds from the gross income of their owners for federal income tax purposes.

EXECUTED AND DELIVERED this _____ day of _____, 2018.

(Name of Underwriter or Manager)

By: _____

Title: _____

As part of our bid, we AGREE/DISAGREE to pay the premium of \$_____ for the municipal bond guaranty insurance issued by _____ and the rating agency fee(s) of _____ fee in the amount of \$_____. The Authority agrees to pay the rating fee of Moody's Investors Service, Inc. Our calculation (which is not a part of this bid) of the interest cost from the above is:

Total Interest Cost from December 1, 2018.....	\$ _____
Plus: Dollar Amount of Discount <u>OR</u> Less: Dollar Amount of Premium.....	\$ _____
Net Interest Cost.....	\$ _____
Net Effective Interest Rate	_____ %

We will require ___ copies of the final Official Statement for dissemination to potential purchasers of the Bonds (not to exceed 250 copies). By our submission of this bid, we agree to provide such copies of the final Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale, and to undertake the obligations of the Underwriter described therein, as contemplated by Rule 15c2-12 of the United States Securities and Exchange Commission.

If the bidder is not a publicly traded business entity, or a wholly owned subsidiary of a publicly traded business entity, the Authority may not accept this bid until it has received from the bidder a completed and signed Texas Ethics Commission Form 1295 and Certification of Filing pursuant to Texas Government Code §2252.908 and the rules promulgated thereunder by the Texas Ethics Commission. The undersigned understands that failure to provide said form and Certification of Filing will result in a non-confirming bid and will prohibit the Authority from considering this bid for acceptance. See "CONDITIONS OF SALE – REQUIRED DISCLOSURE OF INTERESTED PARTIES" in the accompanying Official Notice of Sale.

The undersigned verifies that it, as well as any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations that exists to make a profit, does not boycott Israel and agrees it as well as any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations that exists to make a profit, will not boycott Israel through the delivery date of the Bonds. Additionally, the undersigned certifies that it, as well as any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of those entities or business associations that exists to make a profit, does not engage in business with Iran, Sudan, or a foreign terrorist organization (as defined by Section 2252.151(2), Texas Government Code) and has not been identified as having engaged in business with Iran, Sudan, or a foreign terrorist organization on a list prepared and maintained by the Texas Comptroller of Public Accounts. At the request of the Authority, the undersigned agrees to execute further written certifications as may be necessary or convenient for the Authority to establish compliance with these laws.

The initial Bonds shall be registered in the name of Cede & Co. We will advise DTC of registration instructions at least five business days prior to the date for initial delivery.

Cashier's Check No. _____, issued by _____ and payable to your order in the amount of \$323,000 (is attached hereto) (has been made available to you prior to the opening of this bid) as a Good Faith Deposit for disposition in accordance with the terms and conditions set forth in the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions stated in the Official Notice of Sale, this check shall be cashed and the proceeds retained by the Authority as complete liquidated damages against the Underwriter. The Good Faith Deposit will be returned to the Underwriter uncashed on the date of delivery of the Bonds.

We agree to accept delivery of and make payment for the initial Bonds in immediately available funds at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, not later than 10:00 A.M., Central Time, on December 18, 2018, or thereafter on the date the Bonds are tendered for delivery pursuant to the terms set forth in the Official Notice of Sale.

The undersigned agrees to complete, execute, and deliver to the Authority, by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the applicable form accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the Authority.

We hereby represent that sale of the Bonds in jurisdictions other than Texas will be made only pursuant to exemptions from registration or qualification and that, where necessary, we will register or qualify the Bonds in accordance with the securities laws and regulations of the jurisdictions in which the Bonds are offered or sold.

Respectfully submitted,

By: _____

Name: _____

Title: _____

Firm: _____

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Clear Lake City Water Authority on this 20th day of November, 2018.

ATTEST:

Secretary, Board of Directors

President, Board of Directors

Return of \$323,000 Good Faith Deposit is hereby acknowledged:

Firm: _____

By: _____

Date: _____

(For your information you will find attached a list of the group of underwriters associated with us in this proposal.)

\$16,150,000

CLEAR LAKE CITY WATER AUTHORITY

WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS

SERIES 2018

BOND YEARS

Interest accrues from: December 1, 2018

Due: March 1 as shown below

<u>Year</u>	<u>Amount</u>	<u>Bond Years</u>	<u>Accumulated Bond Years</u>
2019	\$715,000	178.7500	178.7500
2020	570,000	712.5000	891.2500
2021	590,000	1,327.5000	2,218.7500
2022	610,000	1,982.5000	4,201.2500
2023	635,000	2,698.7500	6,900.0000
2024	660,000	3,465.0000	10,365.0000
2025	685,000	4,281.2500	14,646.2500
2026	710,000	5,147.5000	19,793.7500
2027	740,000	6,105.0000	25,898.7500
2028	765,000	7,076.2500	32,975.0000
2029	795,000	8,148.7500	41,123.7500
2030	825,000	9,281.2500	50,405.0000
2031	855,000	10,473.7500	60,878.7500
2032	890,000	11,792.5000	72,671.2500
2033	925,000	13,181.2500	85,852.5000
2034	960,000	14,640.0000	100,492.5000
2035	995,000	16,168.7500	116,661.2500
2036	1,035,000	17,853.7500	134,515.0000
2037	1,075,000	19,618.7500	154,133.7500
2038	1,115,000	21,463.7500	175,597.5000

Total Bond Years: 175,597.5000

Average Maturity: 10.8729 years