

This Official Notice of Sale does not alone constitute an invitation for bids on the Bonds but is merely notice of sale of the Bonds described herein. The invitation for bids is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form attached hereto. Information contained in this Official Notice of Sale is qualified in its entirety by the detailed information contained in the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

\$6,000,000

PORT O'CONNOR IMPROVEMENT DISTRICT

(A political subdivision of the State of Texas located within Calhoun County)

UNLIMITED TAX BONDS SERIES 2018

THE BONDS WILL BE DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS"
FOR FINANCIAL INSTITUTIONS
(See "TAX MATTERS—Qualified Tax-Exempt Obligations Purchase of the Bonds by Financial Institutions"
in the PRELIMINARY OFFICIAL STATEMENT)

THE SALE

Bonds Offered for Sale by Competitive Bidding: The Board of Directors (the "Board") of Port O'Connor Improvement District (the "District") is inviting competitive bids for the purchase of \$6,000,000 Unlimited Tax Bonds, Series 2018 (the "Bonds"). Bidders may submit bids for the Bonds by any of the following methods:

- (1) Deliver bids directly to the District as described below in "Sealed Bids Delivered to the District;"
- (2) Submit bids electronically as described below in "Electronic Bidding Procedures;" or
- (3) Submit bids by telephone or as described below in "Bids by Telephone."

Place and Time of Bid Opening: The District's Financial Advisor, Hilltop Securities Inc. ("HilltopSecurities"), will open and publicly read bids for the purchase of the Bonds at the office of HilltopSecurities, 1201 Elm Street, Suite 3500, Dallas, Texas, 75270, at 10:00 A.M., Central Time, Thursday, December 13, 2018. Any bid received after the scheduled time for bid opening will not be accepted by the Board and will be returned unopened.

Sealed Bids Delivered to the District: Two (2) sealed bids, plainly marked "Bid for Bonds," should be addressed to "President and Board of Directors, Port O'Connor Improvement District," and delivered to the offices of HilltopSecurities, 1201 Elm Street, Suite 3500, Dallas, TX 75270, prior to 10:00 A.M., Central Time on Thursday, December 13, 2018. All bids must be submitted in duplicate on the Official Bid Form, without alteration or interlineation.

Electronic Bidding Procedures: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to i-Deal's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. Bidders submitting an electronic bid shall not be required to submit Official Bid.

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 District. The District 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 PARITY Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, telephone: (212) 404-8102.

For purposes of both the written sealed bid process and 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 interest cost to the District, as described under “CONDITIONS OF THE 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.

Bids by Telephone: Bidders must submit two (2) signed original Official Bid Forms to Mr. Andre Ayala, Hilltop Securities Inc., 1201 Elm Street, Suite 3500, Dallas, Texas 75270, prior to 10:00 A.M., Central Time on Thursday, December 13, 2018. Bidders that have provided a signed bid forms by e-mail and submit their bid by telephone (andre.ayala@hilltopsecurities.com) will be contacted by a representative of HilltopSecurities, between 10:30 A.M. and 11:00 A.M., Central Time, on Thursday, December 13, 2018. Questions about this procedure should be addressed to Mr. Ayala at (214) 953-4184.

*HilltopSecurities, will not be responsible for the submission of any bids tendered by telephone before the deadline for filing but received by the Board after the filing deadline nor does HilltopSecurities assume any responsibility or liability with respect to any irregularities or errors associated with the submission of bids if the above-described telephone options are exercised. **The District will not accept bids submitted by facsimile.***

Award of the Bonds: The Bonds will be sold in one block on an “all or none” basis. The District will take action to award the Bonds or reject all bids after reading the bids and upon verification of the mathematical accuracy of all bids by HilltopSecurities, the District’s Financial Advisor, on Thursday, December 13, 2018 at 1:00 P.M., Central Time, at the District’s official meeting place, 39 Denman Drive, Port O’Connor, Texas 77982. Upon awarding the Bonds to the winning bidder (the “Initial Purchaser”), the Board will adopt a resolution authorizing the issuance of the Bonds (the “Bond Resolution”). Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Resolution, to which Bond Resolution reference is hereby made for all purposes. **The District reserves the right to reject any and all bids and to waive any irregularities, except the time of filing.**

THE BONDS

Description of the Bonds: Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, NA, Dallas, Texas (the “Paying Agent/Registrar”) upon surrender of the Bonds for payment. Interest on the Bonds accrues from December 15, 2018, and is payable on each March 1 and September 1 commencing March 1, 2019, until maturity or prior redemption. The Bonds will be issued only in fully registered form. The Bonds will be issued in principal denominations of \$5,000 each or integral multiples thereof. The Bonds will mature serially on September 1 in the years and amounts as shown below.

Principal Amount	Maturity (September 1)	Principal Amount	Maturity (September 1)
\$ 275,000	2019	\$ 290,000	2029
210,000	2020	300,000	2030
220,000	2021	315,000	2031
225,000	2022	330,000	2032
230,000	2023	345,000	2033
240,000	2024	360,000	2034
250,000	2025	375,000	2035
260,000	2026	390,000	2036
270,000	2027	410,000	2037
280,000	2028	425,000	2038

Book-Entry-Only System: The Bonds will be registered and delivered only 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 (the “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. See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.

Redemption Provisions: Bonds maturing on and after September 1, 2027, are subject to redemption prior to maturity, at the option of the District, in whole or, from time-to-time in part, on September 1, 2026, or on any date thereafter at a price of par plus accrued interest to the date fixed for redemption. If fewer than all of the Bonds are to be redeemed, the particular maturity or maturities and amounts to be redeemed shall be determined by the District, provided that if fewer than all the Bonds within a particular maturity are redeemed at any time, the particular Bonds within each such maturity to be redeemed

shall be selected by the Paying Agent/Registrar by lot or other customary method of random selection (or by DTC while the Bonds are in Book-Entry-Only form).

Mandatory Sinking Fund Redemption: If the successful bidder designates principal amounts to be combined into one or more term bonds (the "Term Bonds"), each such term bond shall be subject to mandatory sinking fund redemption commencing on September 1 of the first year which has been combined to form such term bond and continuing on September 1 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth on the cover page hereof under the captioned "Maturity Schedule." Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par by lot or other customary method of random selection. The principal amount of Term Bonds to be mandatorily redeemed is subject to reduction, at the option of the District, by the amount of any prior optional redemption, purchase, or cancellation.

Source of Payment: The Bonds will constitute valid and binding obligations of the District, payable as to principal and interest from the proceeds of an annual ad valorem tax levied against all taxable property located within the District, without legal limitation as to rate or amount, as further described in the Preliminary Official Statement. The Bonds are obligations of the District and are not obligations of Calhoun County, the State of Texas or any entity other than the District.

CONDITIONS OF THE SALE

Types of Bids and Interest Rates: The Bonds will be sold in one block, all or none, and no bid of less than 97% of the principal amount thereof plus accrued interest to the date of delivery will be considered. Bidders are to name the rate or rates of interest to be borne by the Bonds, provided that each interest rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1%. Subject to the conditions below, no limitation will be imposed upon bidders as to the number of interest rates which may be used, but each rate of interest specified for the Bonds maturing in the years 2026 (base year) through 2038, cannot be less than the rate of interest specified for any earlier maturity during the period 2027 through 2038 and the highest interest rate bid may not exceed the lowest interest rate bid by more than three percent (3%) in rate. All Bonds maturing within a single year must bear the same rate of interest, and no bids for the Bonds involving supplemental interest rates will be considered. Each bidder shall state in its bid the total and net interest cost in dollars and the net effective interest rate determined thereby, which shall be considered informative only and not as a part of the bid.

Basis of Award: For the purpose of awarding the sale of the Bonds, the interest cost of each bid will be computed by determining, at the interest rate or 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 dollar amount of the discount bid, if any, or subtracting therefrom the dollar amount of the premium bid, if any. **Subject to the District's right to reject any or all bids,** the Bonds will be awarded to the bidder whose bid, under the above computation, produces the lowest net interest cost to the District as calculated pursuant to Chapter 1204, Texas Government Code, as amended. In order for any bidder to be awarded its bid by the District, such bidder must comply with the requirements listed under "CONDITIONS OF SALE – Required Disclosure Form" below.

In order to provide the District with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Initial Purchaser will be required to provide the District with a breakdown of its "underwriting spread" among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

Required Disclosure Form. Pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), unless the bidder is a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity, the District may not award the Bonds to the winning bidder unless the bidder submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC") before the District can formally award the Bonds to the winning bidder. In the event that a bidder's bid for the Bonds is the best bid received, the District, acting through its Financial Advisor, will promptly notify the bidder. That notification will serve as the conditional verbal acceptance of the bid, and will obligate the bidder, if required, to promptly file an original completed Disclosure Form, as described below, in order to complete the award.

Process for completing the Disclosure Form. Reference should be made to the Disclosure Form, the rules of the TEC with respect to the Disclosure Form (the "Disclosure Rules") and the Interested Party Disclosure Act. Instructional information regarding such matters are set forth at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm. For purposes of completing the Disclosure Form the Initial Purchaser will need the following information: (a) item 2 – name of governmental entity: Port O'Connor Improvement District and (b) item 3 – the identification number assigned to this contract by the District: UT Bds S2018, and a description of the services to be provided under the contract: Purchase of Bonds. The Interested Party Disclosure Act and the Disclosure Rules require a business entity contracting with the District to complete the form at

the TEC Internet "portal" that may be accessed at the url set forth above, and then print, sign, acknowledged and deliver the Disclosure Form in physical form to the District. Following the award of the Bonds, the District will acknowledge receipt of the completed Disclosure Form through the TEC website, as required by the law.

Preparations and for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the bidder must be acknowledged in writing and signed by the bidder. The Interested Party Disclosure Act provides that such acknowledgment is made "under penalty of perjury." **Consequently, a bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form.** Time will be of the essence in submitting the form to the District, and no award will be made by the District of the Bonds until a completed Disclosure Form from the winning bidder is received. **The District reserves the right to reject any bid that is not accompanied by a completed Disclosure Form, as described herein.** Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the conditional winning bid.

Impact of Bidding Syndicate on Award: For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Initial Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Initial Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Good Faith Deposit: Each bid must be accompanied by a bank cashier's check payable to the order of "Port O'Connor Improvement District" in the amount of \$120,000, which represents two percent (2%) of the principal amount of the Bonds. **Only bank cashier checks will be accepted; no "Official Bank Checks" will be accepted.** The check will be considered as a "Good Faith Deposit", and the check of the successful bidder will be retained uncashed by the District until the Bonds are delivered. In the event the Initial Purchaser should fail or refuse to accept delivery of and pay for the Bonds in accordance with its bid, then the Good Faith Deposit shall be cashed and the proceeds accepted by the District as full and complete liquidated damages against the Initial Purchaser. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately. If submitted separately, it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn to authorize its use as a Good Faith Deposit by the bidder, who shall be named in such instructions. Upon payment for and delivery of the Bonds, the Good Faith Deposit will be returned uncashed. No interest will be paid on the Good Faith Deposit. The checks accompanying bids other than the winning bid will be returned immediately after the bids are opened and an award of the Bonds has been made.

Verification Pursuant to Chapter 2270 of the Texas Government Code: To the extent the winning bid for the Bonds represents a contract for goods or services within the meaning of Section 2270.002 of the Texas Government Code, as amended, the winning bidder will be required to verify in the Official Bid Form, for purposes of Chapter 2270 of the Texas Government Code, as amended, that, at the time of execution and delivery of its bid, neither the bidder nor any syndicate member listed on the Official Bid Form, nor any parent company, wholly- or majority- owned subsidiaries, and other affiliates of the same, if any, boycotts Israel or will boycott Israel through the date of delivery of the Bonds. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, "boycotts Israel" and "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The bidder understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the bidder or any syndicate member listed on the Official Bid Form and exists to make a profit.

Verification Pursuant to Chapter 2252 of the Texas Government Code: Pursuant to Chapter 2252 of the Texas Government Code, the bidder will be required to verify that neither the bidder nor any syndicate member listed on the Official Bid Form, nor any parent company, wholly- or majority-owned subsidiaries, or other affiliates of the same are companies identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/ftolist.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the bidder or any syndicate member listed on the Official Bid Form and each parent company, wholly- or majority-owned

subsidiaries, and other affiliates, of the same, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The bidder understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder or any syndicate member listed on the Official Bid Form and exists to make a profit.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

Delivery: The Bonds will initially be delivered as one Bond in the principal amount of the Bonds, payable in installments, and exchangeable as set forth below (the "Initial Bond"). Delivery will be at the corporate trust office of the Paying Agent/Registrar in Dallas, Texas. Upon delivery of the Initial Bond, it will be immediately cancelled and one definitive Bond for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC's Book-Entry Only System. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Initial Purchaser will be given three (3) 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 27, 2018, and it is understood and agreed that the Initial Purchaser will accept delivery of and make payment for the Bonds by 10:00 A.M., December 27, 2018. If for any reason the District is unable to make delivery on or before December 27, 2018, then the District shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend its offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within three (3) business days thereafter, then its Good Faith Deposit will be returned, and both the District and the Initial Purchaser shall be relieved of any further obligation.

DTC Definitive Bonds: After delivery of the Initial Bond, the Bond will be immediately exchanged for definitive Bonds, consisting of one Bond for each maturity issued in book-entry-only form. Such definitive Bonds will be registered in the name of Cede & Co. as nominee for DTC. All references herein to the registered owners of the Bonds (the "Registered Owners") shall mean Cede & Co. and not the Beneficial Owners of the Bonds. Purchase of beneficial interest in the Bonds will be made in book-entry-only form (without registered Bonds) in principal denominations of \$5,000 or any integral multiple thereof. Under certain limited circumstances described herein, the District 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 "BOOK-ENTRY-ONLY SYSTEM" in the Preliminary Official Statement.

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 Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Official Notice of Sale. CUSIP identification numbers will be made available to the Initial Purchaser at the time the Bonds are awarded or as soon thereafter as practicable. The CUSIP Global Services charge for the assignment of the numbers shall be the responsibility of and shall be paid by the Initial Purchaser.

Conditions to Delivery: The obligation to take up and pay for the Bonds is subject to the following conditions: the issuance of the approving opinion of the Attorney General of Texas, the Initial Purchaser's receipt of the Initial Bonds, the Initial Purchaser's receipt of the legal opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas ("Bond Counsel") and the no-litigation certificate, all as described below, no material adverse change in the financial condition of the District and the non-occurrence of the events described under "No Material Adverse Change."

Legal Opinions: The District will furnish to the Initial Purchaser 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 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 District 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 District. The District 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 District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the holders 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 District. 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 upon taxable property within the District without legal limitation as to rate or amount, and that the interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date of such opinion assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See "LEGAL MATTERS" in the Preliminary

Official Statement. Such opinions express no opinion with respect to the sufficiency of the security for or marketability of the Bonds.

Establishment of Issue Price: In the event that the District does not receive sufficient qualified bids to satisfy the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i), allowing the District to treat the reasonably expected initial offering price to the public as of the sale date as the issue price of the Bonds, the District will treat (i) the first price at which 10 percent of a maturity of the Bonds is sold to the public as the issue price of that maturity (the “10 percent rule”) or (b) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the “hold the price rule”). If the 10 percent rule has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to Hilltop Securities Inc. the prices at which it sells Bonds of that maturity to the public. This reporting obligation shall continue, whether or not the Bonds have been delivered, until the 10 percent rule has been satisfied. Alternative versions of the Certificate Regarding Issue Price 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.

No-Litigation Certificate: On the date of delivery of the Bonds to the Initial Purchaser, the District will execute and deliver to the Initial Purchaser, a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, of which the District has notice, to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner question the validity of the Bonds.

No-Material Adverse Change: The obligations of the District to deliver the Bonds and of the Initial Purchaser to accept delivery of and pay for the Bonds are subject to the condition that to the time of delivery of and receipt of payment for the Bonds, there shall be no material adverse change in the financial condition of the District from that set forth in or contemplated by the Preliminary Official Statement, as it may have been supplemented or amended through the date of sale.

Rule G-36 Requirements: It is the responsibility of the Initial Purchaser to comply with the Municipal Securities Rulemaking Board’s Rule G-36 within the required time frame. The Initial Purchaser must send two copies of the Official Statement along with two complete Form G-36’s to the appropriate address.

Change in Tax Exempt Status: At any time before the Bonds are tendered for delivery, the Initial Purchaser may withdraw its bid if the interest received by private holders on obligations of the same type and character is declared to be includable in gross income under present federal income tax laws, either by ruling of the Internal Revenue Service or by a decision of any federal court, or be declared taxable or be required to be taken into account in computing any federal income taxes, by the terms of any federal income tax law enacted subsequent to the date of this Notice of Sale and Bidding Instructions.

OFFICIAL STATEMENT

To assist the Initial Purchaser in complying with Rule 15c2-12 of the United States Securities and Exchange Commission (“SEC”), the District and the Initial Purchaser agree, by the submission and acceptance of the winning bid, as follows.

Final Official Statement: The District has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the District 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 Initial Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Initial Purchaser shall be responsible for promptly informing the District of the initial offering yields of the Bonds. Thereafter, the District will complete and authorize distribution of the Official Statement identifying the Initial Purchaser and containing such omitted information. The District 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 Initial Purchaser on or after the sale date, the District intends the same to be final as of such date, within the meaning of SEC Rule 15c2-12(f)(3). 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 District are those described and contained in the Official Statement under the caption “PREPARATION OF OFFICIAL STATEMENT.”

Changes to Official Statement: If subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, as described above under “DELIVERY OF THE BONDS

AND ACCOMPANYING DOCUMENTS—Conditions to Delivery,” the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers in which case the District’s obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

Delivery of Official Statements: The District shall furnish final Official Statements to the Initial Purchaser (and to each participating Initial Purchaser of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser) within seven (7) business days after the sale date. The District also shall furnish to the Initial Purchaser a like number of any supplements or amendments approved and authorized for distribution by the District 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 Initial Purchaser may reasonably request prior to the 90th day after the end of the underwriting period described in SEC Rule 15c2-12(f)(2). The District 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 Initial Purchaser shall pay for all other copies of the Official Statement or any supplement or amendment thereto.

Continuing Disclosure of Information: The District will agree in the Bond Resolution to provide certain periodic information and notices of material events in accordance with SEC Rule 15c2-12, as described in the Preliminary Official Statement under the heading “CONTINUING DISCLOSURE OF INFORMATION.” The Initial Purchaser’s obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser or their agent of a certified copy of the Bond Resolution containing the agreement described under such heading. The District has entered into two other continuing disclosure undertakings. Additional information concerning the District’s compliance with such undertakings is contained in the Official Statement under the caption “CONTINUING DISCLOSURE OF INFORMATION—Compliance with Prior Undertakings.”

Substantive Requirements for Official Statement: To the best knowledge and belief of the District, the Preliminary Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds.

GENERAL CONSIDERATIONS

Investment Considerations: The Bonds involve certain investment considerations. Prospective bidders are urged to examine carefully the entire Preliminary Official Statement, with respect to the investment considerations associated with the Bonds. Particular attention should be given to the information set forth therein under the caption “INVESTMENT CONSIDERATIONS.”

Municipal Bond Insurance and Municipal Bond Rating: No application for an underlying rating for the Bonds has been made. The District has made application for municipal bond guaranty insurance on the Bonds. In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost will be paid by the Initial Purchaser. Any fees to be paid to the rating agencies as a result of said insurance will be paid by the Initial Purchaser. It will be the responsibility of the Initial Purchaser to disclose the existence of insurance, its terms, and the effect thereof with respect to the reoffering of the Bonds.

Reservation of Rights: The District reserves the right to reject any and all bids and 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.

Registration and Qualification of Bonds for Sale: The offer and sale of the Bonds have not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, and the Bonds have not been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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. By submission of its bid, the Initial Purchaser represents that the sale of the Bonds in states other than the State of Texas will be made pursuant to exemptions from registration or qualification, or where necessary, the Initial Purchaser will register the Bonds in accordance with the securities laws of the state in which the Bonds are offered or sold. The District agrees to cooperate with the Initial Purchaser, at the Initial Purchaser's written request and expense, in registering or qualifying the Bonds or obtaining an exemption from registration or qualification (other than filing a consent to service of process in such state), in any state where such action is necessary.

Section 149(a) of the Code, as amended, requires that all tax exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excludable from a Registered Owners' income for federal income tax purposes. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. pursuant to the Book-Entry-Only System described herein. One fully-registered bond will be issued for each maturity of the Bonds and will be deposited with DTC. See "BOOK-ENTRY-ONLY SYSTEM." So long as any Bonds remain outstanding, the District will maintain at least one paying agent/registrars in the State of Texas for the purpose of maintaining the Bond register on behalf of the District.

Additional Copies of Documents: Additional copies of this Official Notice of Sale, the Preliminary Official Statement, and the Official Bid Form may be obtained from the Financial Advisor, Hilltop Securities Inc., 1201 Elm Street, Suite 3500, Dallas, Texas 75270.

/s/ Mr. Ernest McDonough
President, Board of Directors
Port O'Connor Improvement District

OFFICIAL BID FORM

President and Board of Directors
 Port O'Connor Improvement District
 39 Denman Drive
 Port O'Connor, TX 77982

Board Members:

We have read in detail the Official Notice of Sale and Preliminary Official Statement dated November 30, 2018, relating to the \$6,000,000 Port O'Connor Improvement District (the "District") Unlimited Tax Bonds, Series 2018 (the "Bonds"). We realize that the Bonds involve certain investment considerations, and we have made inspections and investigations as we deem necessary relating to the District and to the investment quality of the Bonds.

For your legally issued Bonds, as described in the "Preliminary Official Statement," and pursuant to the terms and condition of the sale of the Bonds described in the "Official Notice of Sale," we will pay you a price of \$_____, representing _____% of the principal amount thereof, plus accrued interest to the date of delivery to us. Such Bonds mature September 1, in each of the years and in the amounts and interest rates shown below:

<u>Principal Amount</u>	<u>Maturity (September 1)</u>	<u>Offering Price (%/Yeild)</u>	<u>Principal Amount</u>	<u>Maturity (September 1)</u>	<u>Offering Price (%/Yeild)</u>
\$ 275,000	2019	_____	\$ 290,000	2029	_____
210,000	2020	_____	300,000	2030	_____
220,000	2021	_____	315,000	2031	_____
225,000	2022	_____	330,000	2032	_____
230,000	2023	_____	345,000	2033	_____
240,000	2024	_____	360,000	2034	_____
250,000	2025	_____	375,000	2035	_____
260,000	2026	_____	390,000	2036	_____
270,000	2027	_____	410,000	2037	_____
280,000	2028	_____	425,000	2038	_____

Of the principal maturities set forth in the table above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond or no term bond if none is indicated). For those years which have been combined into a term bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term bond maturity date shall mature in such year. The term bonds created are as follows:

<u>Term Bond Maturity Date September 1</u>	<u>Year of First Mandatory Redemption</u>	<u>Principal Amount of Term Bond</u>	<u>Interest Rate</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Our calculation (which is not a part of this bid) of the interest cost from the above is:

Gross Interest Cost from December 15, 2018	\$ _____
Plus Dollar Amount of Discount	\$ _____
NET INTEREST COST	\$ _____
NET EFFECTIVE INTEREST RATE	_____ %

We are having the Bonds of the following maturities _____ insured by _____ at a premium of \$ _____, **said premium to be paid by the Initial Purchaser. Any fees to be paid to the rating agencies as a result of said insurance will be paid by the Initial Purchaser.**

The Initial Bond shall be registered in the name of _____, which will, upon payment for the Bonds, be canceled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

A bank cashier's check or certified check of the _____ Bank, _____, in the amount of \$120,000, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this bid), and is submitted in accordance with the terms as set forth in the Preliminary Official Statement and Notice of Sale and Bidding Instructions.

We agree to accept delivery of the Bonds utilizing the Book-Entry-Only System through DTC and make payment for the Initial Bond in immediately available funds to The Bank of New York Mellon Trust Company, NA, Texas not later than 10:00 A.M., Central Time, on December 27, 2018, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the Initial Purchaser of the Bonds to complete the DTC Eligibility Questionnaire.

The undersigned agrees to complete, execute, and deliver to the District, not later than the business day following the award of the bid, a certificate relating to the "issue price" of the Bonds in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the District. To the extent that such "issue price" certificate is not adequate for inclusion in the District's federal tax certificate, the undersigned agrees to execute an issue price certificate as may be required by the District's Bond Counsel.

If the bidder is not a publicly traded business entity, or a wholly owned subsidiary of a publicly traded business entity, the District 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 District from considering this bid for acceptance.

The bidder hereby verifies that, at the time of execution and delivery of this bid, neither the bidder nor any syndicate member listed on the Official Bid Form, nor any parent company, wholly- or majority- owned subsidiaries, and other affiliates of the same, if any, boycotts Israel or, to the extent this Official Bid Form is a contract for goods or services, will boycott Israel through the date of delivery of the Bonds. The foregoing verification is made solely to comply with Section 2270.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, "boycotts Israel" and "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The bidder understands "affiliate" to mean an entity that controls, is controlled by, or is under common control with the bidder or any syndicate member listed on the Official Bid Form and exists to make a profit.

By submission of a bid, and as a condition of the award and delivery of the Bonds, the bidder represents that, neither the bidder nor any syndicate member listed on the Official Bid Form, nor any parent company, wholly- or majority-owned subsidiaries, and other affiliates of the same, if any, are companies identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf>, <https://comptroller.texas.gov/purchasing/docs/iranlist.pdf>, or <https://comptroller.texas.gov/purchasing/docs/ftolist.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the bidder or any syndicate member listed on the Official Bid Form and each parent company, wholly- or majority-owned subsidiaries, and other affiliates of the same, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The bidder understands "affiliate" to mean any entity that controls, is controlled by, or is under common control with the bidder or any syndicate member listed on the Official Bid Form and exists to make a profit.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

Syndicate Members:

Name of Initial Purchaser or Manager

Authorized Representative

Phone Number

Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the Port O'Connor Improvement District, subject to and in accordance with the Notice of Sale and Bidding Instructions, this the 13th day of December, 2018.

ATTEST:

President, Board of Directors
Port O'Connor Improvement District

Secretary, Board of Directors
Port O'Connor Improvement District

BOND YEARS

Due: September 1, Annually
 Dated: December 15, 2018

<u>Maturity Date</u>	<u>Par Amount</u>	<u>Exponent</u>	<u>Bond Years</u>
9/1/2019	\$ 275,000	0.711	195,555.56
9/1/2020	210,000	1.711	359,333.33
9/1/2021	220,000	2.711	596,444.44
9/1/2022	225,000	3.711	835,000.00
9/1/2023	230,000	4.711	1,083,555.56
9/1/2024	240,000	5.711	1,370,666.67
9/1/2025	250,000	6.711	1,677,777.78
9/1/2026	260,000	7.711	2,004,888.89
9/1/2027	270,000	8.711	2,352,000.00
9/1/2028	280,000	9.711	2,719,111.11
9/1/2029	290,000	10.711	3,106,222.22
9/1/2030	300,000	11.711	3,513,333.33
9/1/2031	315,000	12.711	4,004,000.00
9/1/2032	330,000	13.711	4,524,666.67
9/1/2033	345,000	14.711	5,075,333.33
9/1/2034	360,000	15.711	5,656,000.00
9/1/2035	375,000	16.711	6,266,666.67
9/1/2036	390,000	17.711	6,907,333.33
9/1/2037	410,000	18.711	7,671,555.56
9/1/2038	425,000	19.711	8,377,222.22
	<u>\$ 6,000,000</u>		<u>68,296,666.67</u>

Average Life 11.383 years

FORM OF ISSUE PRICE CERTIFICATE

\$6,000,000

**PORT O'CONNOR IMPROVEMENT DISTRICT
UNLIMITED TAX BONDS, SERIES 2018**

CERTIFICATE REGARDING ISSUE PRICE – COMPETITIVE BIDDING REQUIREMENTS MET

The undersigned hereby certifies as follows with respect to the sale of Port O'Connor Improvement District Unlimited Tax Bonds, Series 2018 (the "Bonds"):

1. The undersigned is the underwriter or the manager of the syndicate of underwriters (the "Underwriter") that has purchased the Bonds from Port O'Connor Improvement District (the "District") 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, 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>Principal Amount</u>	<u>Year of Maturity</u>	<u>Issue Price</u>	<u>Principal Amount</u>	<u>Year of Maturity</u>	<u>Issue Price</u>
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[insert table]

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 nonguarantee 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. 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 December 13, 2018.

7. The undersigned understands that the statements made herein will be relied upon by the District Bond Counsel 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 REGARDING ISSUE PRICE – COMPETITIVE BIDDING REQUIREMENTS NOT MET

The undersigned hereby certifies as follows with respect to the sale of Port O’Connor Improvement District Unlimited Tax Bonds, Series 2018 (the “Bonds”):

1. The undersigned is the underwriter or the manager of the syndicate of underwriters (the “Underwriter”) that has purchased the Bonds from Port O’Connor Improvement District (the “District”).

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>Principal Amount</u>	<u>Year of Maturity</u>	<u>Issue Price</u>	<u>Principal Amount</u>	<u>Year of Maturity</u>	<u>Issue Price</u>
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[insert table]

3. As of the sale date for the Bonds, 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>Principal Amount</u>	<u>Year of Maturity</u>	<u>Issue Price</u>	<u>Principal Amount</u>	<u>Year of Maturity</u>	<u>Issue Price</u>
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[insert table]

4. As set forth in the 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 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 nonguarantee 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 December 13, 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 District and Bond Counsel 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 _____