

**NOTICE OF SALE
AND
BIDDING INSTRUCTIONS**

ON

\$11,340,000*

**CITY OF LEAGUE CITY, TEXAS
(Galveston and Harris Counties)**

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

Sealed Bids Due Tuesday, August 14, 2018, at 10:00 AM, CDT

THE SALE

CERTIFICATES OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The City of League City, Texas (the "City") is offering for sale its \$11,340,000* Combination Tax and Revenue Certificates of Obligation, Series 2018 (the "Certificates"). Bidders may submit bids for the Certificates by any of the following methods:

- (1) Deliver bids directly to the City as described below in "Bids Delivered to the City";
- (2) Submit bids electronically as described below in "Electronic Bidding Procedures;" or

BIDS DELIVERED TO CITY . . . Sealed bids, plainly marked "Bid for Certificates," should be addressed to "Mayor and City Council, City of League City, Texas," and should be delivered to Hilltop Securities Inc. ("HilltopSecurities"), the City's Financial Advisor, at 700 Milam Street, Suite 500, Houston, Texas 77002, prior to 10:00 AM, CDT, on the date of the sale.

ELECTRONIC BIDDING PROCEDURE . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of I-Deal, LLC, Parity System ("PARITY"). Subscription to i-Deal's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The City 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 Forms prior to award.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Certificates on the terms provided in this Notice of Sale and Bidders Instructions, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the City. The City 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 Notice of Sale and Bidders Instructions shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice of Sale and Bidders Instructions 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, (212) 404-8102.

For purposes of the bidding process, regardless of the bidding method, 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 true interest cost to the City, as described under "Basis for Award" below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and Bidders Instructions and the Official Bid Form. The winning bidder shall submit a signed bid form if not previously submitted.**

HilltopSecurities will not be responsible for submitting any bids received after the above deadlines.

The City and HilltopSecurities assume no responsibility or liability with respect to any irregularities associated with the submission of bids if any options are exercised.

The City and HilltopSecurities are not responsible for any failure of theirs, the City's or the sender's fax machine, any failed delivery of a fax, any incomplete or ambiguous transmittals, or the disclosure of the bid to any persons prior to bid opening. If any portion of a faxed bid is illegible, the City and HilltopSecurities, may, at their option, either call any provided reference number for clarification or reject the bid. **BIDDERS WHO FAX BIDS DO SO AT THEIR OWN RISK. ALL SUCH BIDS SHALL BE BINDING ON THE BIDDER.**

PLACE AND TIME OF BID OPENING . . . The bids for the Certificates will be publicly opened and read at the offices of the Financial Advisor, at 10:00 AM, CDT, Tuesday, August 14, 2018.

AWARD OF THE CERTIFICATES . . . The City Council will take action to award the Certificates (or reject all bids) at a meeting scheduled to convene at 6:00 PM, CDT, on the date of the bid opening, and will adopt an ordinance authorizing the Certificates and approving the Official Statement (the "Ordinance").

* Preliminary, subject to change. See "THE CERTIFICATES - ADJUSTMENT OF PRINCIPAL AMOUNTS AND/OR TYPES OF BIDS."

THE CERTIFICATES

DESCRIPTION . . . The Certificates will be dated September 1, 2018. Interest will accrue from the date of initial delivery (the "Delivery Date") expected to be September 12, 2018 and will be due on February 15, 2019, and each August 15 and February 15 thereafter until the earlier of maturity or prior redemption. The Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity. The Certificates will mature on February 15 in each year as follows:

MATURITY SCHEDULE*

<u>Year</u>	<u>Principal Amount*</u>	<u>Year</u>	<u>Principal Amount*</u>	<u>Year</u>	<u>Principal Amount*</u>
2019	\$ 565,000	2026	\$ 570,000	2033	\$ 565,000
2020	570,000	2027	570,000	2034	565,000
2021	570,000	2028	565,000	2035	565,000
2022	570,000	2029	565,000	2036	565,000
2023	570,000	2030	565,000	2037	565,000
2024	570,000	2031	565,000	2038	565,000
2025	570,000	2032	565,000		

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

ADJUSTMENT OF PRINCIPAL AMOUNTS AND/OR TYPES OF BIDS . . . Prior to 3:00 P.M. CDT on the day before the bids are due, the City may, in its sole discretion, adjust the principal amounts set forth above (the "Maturity Schedule") and/or the type of bid required on the Certificates including revisions to the amortization schedule, principal amounts and required bid premium of the Certificates. Should such adjustments be made, a revised Official Bid Form will be made available through i-Deal Prospectus and PARITY NO LATER THAN 3:00 P.M., CENTRAL TIME, ON MONDAY, AUGUST 13, 2018. In the event that no such revisions are made, the original amortization schedule and principal amounts will constitute the revised amounts. BIDDERS SHALL SUBMIT BIDS BASED ON THE REVISED AMOUNTS, if any. For purposes of this paragraph, the term "Maturity Schedule" shall include any adjustments to the principal amounts shown above including the total par amount so made by the City by posting on Parity and Bloomberg Wire. Also see "CONDITIONS OF THE SALE" herein.

After final computation of the bids, in awarding the sale to the best bidder, the City may determine in its sole discretion, that the funds necessary to carry out the purposes for which the Certificates are to be issued may be either more or less than the proceeds of the proposed sale of all of the Certificates. Upon making such determination, the City reserves the right to adjust the principal amount of the Certificates shown on the Maturity Schedule. The principal amount of any maturity of the Certificates shall only be adjusted in \$5,000 increments and shall not be increased or decreased by an amount that exceeds 20% of the preliminary principal amount of such maturity (rounded up to the next higher integral of \$5,000) without permission of the successful bidder. Such adjustment(s), if any, shall be made within 4 hours of the opening of the bids for the Certificates.

In the event of any adjustment of the maturity schedule for the Certificates as described herein, no rebidding or recalculation of the proposals submitted will be required or permitted. Any such adjustment of the aggregate principal amount of the Certificates and/or the maturity schedule for the Certificates made by the City or its Financial Advisor shall be prior to the award of the Certificates to the winning bidder as determined pursuant to "CONDITIONS OF THE SALE – BASIS FOR AWARD" herein and shall not affect such determination. The successful Bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

SERIAL CERTIFICATES AND/OR TERM CERTIFICATES . . . Bidders may provide that all of the Certificates be issued as Serial Certificates or may provide that any two or more consecutive annual principal amounts be combined into one or more Term Certificates.

MANDATORY SINKING FUND . . . If the successful bidder elects to alter the Maturity Schedule reflected above and convert principal amounts of the Serial Certificates into Term Certificates, such Term Certificates shall be subject to mandatory redemption on the first February 15 next following the last maturity for Serial Certificates, and annually thereafter on each February 15 until the stated maturity for the Term Certificates at the redemption prices of par plus accrued interest to the date of redemption. The principal amounts of the Term Certificates to be redeemed on each mandatory redemption date shall be the principal amounts that would have been due and payable in the Maturity Schedule shown above had no conversion to Term Certificates occurred. At least thirty (30) days prior to each mandatory redemption date, the Paying Agent/Registrar shall select by lot the Term Certificates to be redeemed and cause a notice of redemption to be given in the manner provided in the Preliminary Official Statement.

* Preliminary, subject to change. See "THE CERTIFICATES - Adjustment of Principal Amounts and/or Types of Bids" herein.

The principal amount of the Term Certificates required to be redeemed pursuant to the operation of such mandatory redemption, at the option of the City, shall be the principal amount of the Term Certificates of the same maturity which, at least fifty (50) days prior to the mandatory redemption date, (i) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

A final Official Statement will incorporate the mandatory redemption provisions for the Certificates in the event the successful bidder elects to convert serial maturities into one or more Term Certificates.

BOOK-ENTRY-ONLY SYSTEM . . . The City intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"). See "THE CERTIFICATES – Book-Entry-Only System" in the Preliminary Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar shall be The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE CERTIFICATES - Paying Agent/Registrar" in the Preliminary Official Statement).

SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and from a limited and subordinate pledge of the surplus revenues of the City's waterworks and sewer system, as provided in the Ordinance.

Further details regarding the Certificates are set forth in the Preliminary Official Statement.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . The Certificates will be sold in one block on an "All or None" basis, and at a price of not less than 100% or more than 117% of the total par value, plus accrued interest from date of the Certificates to the date of delivery of the Certificates, provided however, that any bid is subject to adjustment as described under the caption "POST BID MODIFICATION OF PRINCIPAL AMOUNTS." The principal amounts listed herein were calculated with a total bid premium of 108.10%. Bidders are invited to name the rate(s) of interest to be borne by the Certificates, provided that each rate bid must be in a multiple of 1/8th of 1%, 1/20th of 1% or 1/100th of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 3% in rate. **For Certificates having stated maturities on and after February 15, 2028, no reoffering yield producing a dollar price less than 98.00% for any individual maturity will be accepted. The high bidder will be required to submit reoffering yields and dollar prices prior to award.** No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Certificates of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

BASIS FOR AWARD . . . Subject to the City's right to reject any or all bids and to waive any irregularities except time of filing, the sale of the Certificates will be awarded to the bidder making a bid that conforms to the specifications herein and which produces the lowest True Interest Cost rate to the City. The True Interest Cost rate is that rate which, when used to compute the total present value as of the Delivery Date of all debt service payments on the Certificates on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Certificates plus any premium bid. In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, if any, set forth in the Official Bid Form will be considered as the official bid.

GOOD FAITH DEPOSIT . . . A Good Faith Deposit, payable to the "City of League City, Texas", in the amount of \$226,800.00, is required. Such Good Faith Deposit shall be a bank cashier's check or certified check, which is to be retained uncashed by the City pending the Initial Purchaser's compliance with the terms of the bid and the Notice of Sale and Bidding Instructions. 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 City prior to the opening of the bids, and shall be accompanied by instructions from the bank on which drawn which authorize its use as a Good Faith Deposit by the Initial Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Initial Purchaser will be returned to the Initial Purchaser upon payment for the Certificates.** No interest will be allowed on the Good Faith Deposit. In the event the Initial Purchaser should fail or refuse to take up and pay for the Certificates in accordance with the bid, then said check shall be cashed and accepted by the City as full and complete liquidated damages. The checks accompanying bids other than the winning bid will be returned immediately after the bids are opened, and an award of the Certificates has been made.

NEW OBLIGATION OF THE CITY TO RECEIVE INFORMATION FROM WINNING BIDDER . . . Described hereinafter is a new obligation of the City to receive information from winning bidder if bidder is not a publically traded business entity or a wholly owned subsidiary of a publically traded business entity (a "Privately Held Bidder"). Effective January 1, 2018, pursuant to Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the City may not award the Certificates to a winning bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the City as prescribed by the Texas Ethics Commission ("TEC"). In the event that a Privately Held Bidder's bid for the Certificates is the best bid received, the City, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the City's conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the City to complete the award.

Reference should be made to the Disclosure Form, the rules of the TEC with respect to the Disclosure Form (the "Disclosure Rules") and the Interest 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, a Privately Held Bidder will need the following information: (a) item 2 – name of the governmental entity (City of League City, Texas) and (b) item 3 – the identification number assigned to this contract by the City (League City Certificates 2018) and description of the goods or services (Purchase of Certificates). The Interested Party Disclosure Act and the Disclosure Rules require a non-publicly traded business entity contracting with the City to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, sign, notarize, and deliver by email, the certified Disclosure Form that is generated by the TEC's "electronic portal" to the City (Allena Portis, Allena.Portis@leaguecitytx.gov) with a copy to Bond Counsel (Neil Thomas, neil.thomas@nortonrosefulbright.com), with the original to be delivered to the City (Attn: Allena Portis, City of League City, 300 W. Walker, League City, Texas 77573). Following the award of the Certificates, the City will, if required, acknowledge the receipt of the completed Disclosure Form through the TEC website, as required by law. The notarized Disclosure Form must be sent by email to the City (Allena Portis, Allena.Portis@leaguecitytx.gov) with a copy to the City's Bond Counsel (Neil Thomas, neil.thomas@nortonrosefulbright.com), as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form, if required, with original signatures must be submitted by mail to Allena Portis, City of League City, 300 W. Walker, League City, Texas 77573.

Preparations for completion, and the significance of, the reported information. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made "under penalty of perjury." **Consequently, a Privately Held 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 City, and no final award will be made by the City regarding the sale of the Certificates until a completed Disclosure Form from a winning Privately Held Bidder is received. If applicable, the City reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the City nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon notification from the City that its bid is the conditional winning bid.

DELIVERY OF THE CERTIFICATES AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will appear on the Certificates, but neither the failure to print or type such number on any Certificate 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 Certificates in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. All expenses in relation to the printing or typing of CUSIP numbers on the Certificates shall be paid by the City; provided, however, that the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the Initial Purchaser.

DELIVERY OF CERTIFICATES . . . Initial Delivery will be accomplished by the issuance of one Initial Certificate (the "Initial Certificate"), either in typed or printed form, in the aggregate principal amount of \$11,340,000*, payable in stated installments to the Initial Purchaser or its designee, signed by the Mayor and City Secretary, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts. Upon delivery of the Initial Certificate, it shall be immediately cancelled and one definitive Certificate 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. Delivery will be at the corporate trust office of the Paying Agent/Registrar in Dallas, Texas. Payment for the Certificates must be made in immediately available funds for unconditional credit to the City, or as otherwise directed by the City. The Initial Purchaser will be given six business days' notice of the time fixed for delivery of the Certificates. It is anticipated that delivery of the Certificates can be made on or about September 12, 2018, and it is understood and agreed that the Initial Purchaser will accept delivery and make payment for the Certificates by 10:00 AM, CDT, on September 12, 2018, or thereafter on the date the Certificate is tendered for delivery, up to and including September 26, 2018. If for any reason the City is unable to make delivery on or before September 26, 2018, the City shall immediately contact the Initial Purchaser and offer to

* Preliminary, subject to change. See "THE CERTIFICATES - Adjustment of Principal Amounts and/or Types of Bids." allow the Initial Purchaser to extend its offer for an additional thirty days. If the Initial Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the City and the Initial Purchaser shall be relieved of any further obligation. In no event shall the City be liable for any damages by reason of its failure to deliver the Certificates, provided such failure is due to circumstances beyond the City's reasonable control.

CONDITIONS TO DELIVERY . . . The obligation of the Initial Purchaser to take up and pay for the Certificates is subject to the Initial Purchaser's receipt of (a) the legal opinion of Norton Rose Fulbright US LLP ("Bond Counsel"), (b) the no-litigation certificate, and (c) the certification as to the Official Statement, all as further described in the Preliminary Official Statement.

ESTABLISHMENT OF ISSUE PRICE (HOLD-THE-OFFERING PRICE RULE WILL APPLY IF COMPETITIVE SALE REQUIREMENTS ARE NOT SATISFIED)...

- (a) The winning bidder shall assist the City in establishing the issue price of the Certificates and shall execute and deliver to the City by Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the winning bidder, the City and Bond Counsel. All actions to be taken by the City under this Notice of Sale to establish the issue price of the Certificates may be taken on behalf of the City by the City's municipal advisor identified herein and any notice or report to be provided to the City may be provided to the City's municipal advisor.
- (b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Certificates) will apply to the initial sale of the Certificates (the "competitive sale requirements") because:
 - (1) the City shall disseminate this Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
 - (2) all bidders shall have an equal opportunity to bid;
 - (3) the City may receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
 - (4) the City anticipates awarding the sale of the Certificates to the bidder who submits a firm offer to purchase the Certificates at the highest price (or lowest interest cost), as set forth in this Notice of Sale.

Any bid submitted pursuant to this Notice of Sale shall be considered a firm offer for the purchase of the Certificates, as specified in the bid.

- (c) In the event that the competitive sale requirements are not satisfied, the City shall so advise the winning bidder. In such event, the City intends to treat the initial offering price to the public as of the sale date of each maturity of the Certificates as the issue price of that maturity (the "hold-the-offering-price rule"). The City shall promptly advise the winning bidder, at or before the time of award of the Certificates, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Certificates. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies. In the event that the competitive sale requirements are not satisfied, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the City.
- (d) By submitting a bid, the winning bidder shall (i) confirm that the underwriters have offered or will offer the Certificates to the public on or before the date of award at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Certificates, that the underwriters will neither offer nor sell unsold Certificates of any maturity to which the hold-the-offering-price rule applies 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:
 - (1) the close of the fifth (5th) business day after the sale date; or
 - (2) the date on which the underwriters have sold at least 10% of that maturity of the Certificates to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the City when the underwriters have sold 10% of that maturity of the Certificates 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 (5th) business day after the sale date.

- (e) The City acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the third-party distribution agreement and the related pricing wires. The City further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Certificates.

- (f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Certificates to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Certificates to the public to require each broker-dealer that is a party to such third-party distribution agreement to report to such underwriter that either the 10% test has been satisfied as to the Certificates of that maturity or all Certificates of that maturity have been sold to the public and to comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.
- (g) Sales of any Certificates to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice of Sale. Further, for purposes of this section of the Notice of Sale:
1. "public" means any person other than an underwriter or a related party,
 2. "underwriter" means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the public),
 3. a purchaser of any of the Certificates is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
 4. "sale date" means the date that the Certificates are awarded by the City to the winning bidder.

ADDITIONAL CONDITION OF AWARD – COMPLIANCE WITH H.B. 89 AND S.B. 252, 85TH TEXAS LEGISLATURE. . To the extent the sale of the Certificates that is the subject of this Notice of Sale constitutes a contract for goods or services within the meaning of Section 2270.002 of the Texas Government Code, each bidder, through submittal of an executed Official Bid Form, verifies that it (including any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of the bidder) does not boycott Israel and, except to the extent required by applicable federal law, will not boycott Israel through the term of the agreement set forth in the Official Bid Form. For purposes of this verification, "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.

Pursuant to Subchapter F, Chapter 2252, Texas Government Code, to the extent applicable, each bidder, through the submittal of the Official Bid Form, represents that it (including any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of the bidder) is not a company (as defined in Section 2270.0001(2), Texas Government Code) engaged in business with Iran, Sudan, or a foreign terrorist organization (as defined in Section 2252.151(2), Texas Government Code) and that it is not on a list prepared and maintained by the Comptroller of Public Accounts of the State of Texas under Sections 2270.0201 or 2252.153, Texas Government Code.

LEGAL OPINIONS . . . The Certificates are offered when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Certificates is subject to the receipt by the Initial Purchaser of the opinion of Norton Rose Fulbright US LLP, Bond Counsel, substantially in the form reproduced in Appendix C to the Preliminary Official Statement, to the effect that based upon an examination of a transcript of certified proceedings of the City relating to the authorization and issuance of the Certificates, the Certificates are validly issued under the Constitution and laws of the State of Texas and to the effect that interest on the Certificates is excludable from gross income for federal income tax purposes under existing law, subject to the matters described in "TAX MATTERS" in the Preliminary Official Statement including the alternative minimum tax on corporations.

CERTIFICATION OF PRELIMINARY OFFICIAL STATEMENT . . . At the time of payment for and Initial Delivery of the Certificates, the City will execute and deliver to the Initial Purchaser a certificate in the form set forth in the Preliminary Official Statement.

CHANGE IN TAX EXEMPT STATUS . . . At any time before the Certificates 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 shall be 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 shall 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.

GENERAL

FINANCIAL ADVISOR . . . HilltopSecurities is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. HilltopSecurities, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the City for the investment of bond proceeds or other funds of the City upon the request of the City.

BLUE SKY LAWS . . . By submission of its bid, the Initial Purchaser represents that the sale of the Certificates in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Initial Purchaser will register the Certificates in accordance with the securities law of the states in which the Certificates are offered or sold. The City agrees to cooperate with the Initial Purchaser, at the Initial Purchaser's written request and expense, in registering the Certificates or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the City shall not be obligated to qualify as a foreign corporation or to execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Certificates, but is merely notice of the sale of the Certificates. The offer to sell the Certificates is being made by means of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Preliminary Official Statement. Prospective purchasers are urged to carefully examine the Preliminary Official Statement to determine the investment quality of the Certificates.

ISSUANCE OF ADDITIONAL DEBT . . . The City anticipates the issuance of tax supported debt in the approximate amount of \$10 million in the next 12 months, but the City makes no assurances as to the timing or amount of such potential bond issue.

RATINGS . . . The Certificates and presently outstanding tax supported debt of the City are rated "___" by Moody's Investors Service, Inc. ("Moody's") and "___" by S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), without regard to credit enhancement.

THE PRELIMINARY OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15c2-12 . . . The City has prepared the accompanying Preliminary Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12 (the "Rule"), deems such Preliminary Official Statement to be final as of its date within the meaning of such Rule for the purpose of review prior to bidding. To the knowledge and belief of the City, the Preliminary Official Statement contains information, including financial information and operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Certificates. Representations made and to be made by the City concerning the absence of material misstatements and omissions in the Preliminary Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Preliminary Official Statement.

The City will furnish to the Initial Purchaser, acting through a designated senior representative, in accordance with instructions received from the Initial Purchaser, within seven (7) business days from the sale date, copies of the final Official Statement in such quantity and in the formats as the Initial Purchaser shall request in order for the Initial Purchaser to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board; provided, however, that the cost of any Official Statements in excess of 100 shall be prepared and distributed at the cost of the Initial Purchaser. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Initial Purchaser. The Initial Purchaser shall be responsible for providing 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. Except as noted above, the City assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the Certificates.

CONTINUING DISCLOSURE AGREEMENT . . . The City will agree in the Ordinance to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Preliminary Official Statement under the caption "Continuing Disclosure of Information." The Initial Purchaser's obligation to accept and pay for the Certificates is conditioned upon delivery to the Initial Purchaser or agent of a certified copy of the Ordinance containing the agreement described under such heading.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the City believes it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

ADDITIONAL COPIES OF NOTICE, BID FORM, AND STATEMENT . . . A limited number of additional copies of this Notice of Sale and Bidding Instructions, the Official Bid Form, and the Preliminary Official Statement, as available over and above the normal mailing,

may be obtained at the offices of HilltopSecurities, 700 Milam Street, Suite 500, Houston, Texas 77002, Financial Advisor to the City.

In the event the City accepts a bid for the Certificates, on the date of the sale, the City will, in the Ordinance authorizing the issuance of the Certificates, confirm its approval of the form and content of the Preliminary Official Statement, and any addenda, supplement, or amendment thereto, and authorize its use in the reoffering of the Certificates by the Initial Purchaser.

PAT HALLISEY
Mayor
City of League City, Texas

ATTEST:

DIANA STAPP
City Secretary

August __, 2018

BOND YEARS*

<u>Certificates Maturing</u>	<u>Amount</u>	<u>Bond Years</u>	<u>Accumulated Bond Years</u>	<u>Certificates Maturing</u>
2019	\$ 565,000	257.389	257.389	2019
2020	570,000	829.667	1,087.056	2020
2021	570,000	1,399.667	2,486.722	2021
2022	570,000	1,969.667	4,456.389	2022
2023	570,000	2,539.667	6,996.056	2023
2024	570,000	3,109.667	10,105.722	2024
2025	570,000	3,679.667	13,785.389	2025
2026	570,000	4,249.667	18,035.056	2026
2027	570,000	4,819.667	22,854.722	2027
2028	565,000	5,342.389	28,197.111	2028
2029	565,000	5,907.389	34,104.500	2029
2030	565,000	6,472.389	40,576.889	2030
2031	565,000	7,037.389	47,614.278	2031
2032	565,000	7,602.389	55,216.667	2032
2033	565,000	8,167.389	63,384.056	2033
2034	565,000	8,732.389	72,116.444	2034
2035	565,000	9,297.389	81,413.833	2035
2036	565,000	9,862.389	91,276.222	2036
2037	565,000	10,427.389	101,703.611	2037
2038	565,000	10,992.389	112,696.000	2038

Average Maturity 9.907 Years

* Preliminary, subject to change. See "THE CERTIFICATES - Adjustment of Principal Amounts and/or Types of Certificates" in the Notice of Sale and Bidding Instructions.

OFFICIAL BID FORM

Honorable Mayor and City Council
City of League City, Texas

August 14, 2018

Honorable Mayor and Members of the City Council:

Reference is made to your Preliminary Official Statement and Notice of Sale and Bidding Instructions, dated August ____, 2018 of \$11,340,000* CITY OF LEAGUE CITY, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018, both of which constitute a part hereof.

We understand that the City reserves the right to adjust the principal amount of the Certificate maturities as described in “ADVANCE MODIFICATION OF PRINCIPAL AMOUNTS” and “POST BID MODIFICATION OF PRINCIPAL AMOUNTS” in the Notice of Sale and Bidding Instructions. For your legally issued Certificates, as described in said Notice of Sale and Bidding Instructions and Official Statement, we will pay a **price of not less than their par value plus a bid premium of _____** for Certificates maturing and bearing interest as follows:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2/15/2019	\$ 565,000	_____	2/15/2026	\$ 570,000	_____	2/15/2032	\$ 565,000	_____
2/15/2020	570,000	_____	2/15/2027	570,000	_____	2/15/2033	565,000	_____
2/15/2021	570,000	_____	2/15/2028	565,000	_____	2/15/2034	565,000	_____
2/15/2022	570,000	_____	2/15/2029	565,000	_____	2/15/2035	565,000	_____
2/15/2023	570,000	_____	2/15/2030	565,000	_____	2/15/2036	565,000	_____
2/15/2024	570,000	_____	2/15/2031	565,000	_____	2/15/2037	565,000	_____
2/15/2025	570,000	_____				2/15/2038	565,000	_____

Of the principal maturities set forth in the table above, term certificates have been created as indicated in the following table (which may include multiple term certificates, one term certificate or no term certificate if none is indicated). For those years which have been combined into a term certificate, 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 certificate maturity date shall mature in such year. The term certificates created are as follows:

<u>Maturity Date</u>	<u>Year of First Mandatory Redemption</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
<u>February 15</u>	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %

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

TRUE INTEREST COST _____ %

The Initial Certificate shall be registered in the name of _____, which will, upon payment for the Certificates, be canceled by the Paying Agent/Registrar. The Certificates 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 \$226,800.00, 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 Certificates utilizing the Book-Entry-Only System through DTC and make payment for the Initial Certificate in immediately available funds in the Corporate Trust Division, The Bank of New York Mellon Trust Company, N.A., not later than 10:00 AM, CDT, on September 12, 2018, or thereafter on the date the Certificates 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 purchaser of the Certificates to complete the DTC Eligibility Questionnaire.

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

The Purchaser hereby represents and verifies that the Purchaser (is) (is not) a publicly traded business entity, or a wholly owned subsidiary of a publicly traded business entity. If the Purchaser is not a publicly traded business entity, or a wholly owned subsidiary of a publicly traded business entity, the City may not accept this bid until it has received from the Purchaser a completed and signed TEC 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-conforming bid and will prohibit the City from considering this bid for acceptance.

Upon notification of conditional verbal acceptance, if applicable, the undersigned will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed and sent by email to the City's financial advisor at joe.morrow@hilltopsecurities.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the City from providing final written award of the enclosed bid.

The undersigned agrees to comply with the terms of the Notice of Sale and Bidding Instructions, including the requirements set forth under the caption "Establishment of Issue Price (Hold-the-Offering Price Rule Will Apply if Competitive Sale Requirements are Not Satisfied)."

The undersigned agrees to complete, execute, and deliver to the City, at least six business days prior to delivery of the Certificates, a certificate relating to the "issue price" of the Certificates in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable or required by the City. The undersign also agrees to provide the City and its consultants, at least 10 business days prior to delivery of the Certificates, 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).

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.

To the extent the Bid Form is a contract for goods or services within the meaning of Section 2270.002 of the Texas Government Code, the Purchaser hereby verifies that the Purchaser (including any wholly owned subsidiary, majority-owned subsidiary, parent company, or affiliate of the Purchaser) does not boycott Israel and, except to the extent required by applicable federal law, will not boycott Israel through the term of the Bid Form. For purposes of this verification, "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.

As of the date hereof, the Purchaser represents that, to the extent this Bid Form constitutes a "governmental contract" within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of compliance with Chapter 2252 of the Texas Government Code, and except to the extent otherwise required or permitted by or under applicable federal law, neither the Purchaser nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the Purchaser is a company listed by the Texas Comptroller of Public Accounts under Sections 807.051, 2270.0201, or 2252.153 of the Texas Government Code as noted on a list identified in the following link:

<https://comptroller.texas.gov/purchasing/publications/divestment.php>.

Respectfully submitted,

Syndicate Members:

Name of Underwriter or Manager

Authorized Representative

Phone Number

Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by the City of League City, Texas, subject to and in accordance with the Notice of Sale and Bidding Instructions, this the 14th day of August, 2018.

ATTEST:

Mayor
City of League City, Texas

City Secretary

\$11,340,000*
CITY OF LEAGUE CITY, TEXAS (GALVESTON AND HARRIS COUNTIES)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [_____] (the "Initial Purchaser"), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the "Certificates") of the City of League City, Texas (the "Issuer").

1. ***Reasonably Expected Initial Offering Price.***

- (a) As of the Sale Date, the reasonably expected initial offering prices of the Certificates to the Public by the Initial Purchaser are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Certificates used by the Initial Purchaser in formulating its bid to purchase the Certificates. Attached as Schedule B is a true and correct copy of the bid provided by the Initial Purchaser to purchase the Certificates.
- (b) the Initial Purchaser was not given the opportunity to review other bids prior to submitting its bid.
- (c) The bid submitted by the Initial Purchaser constituted a firm offer to purchase the Certificates.

2. ***Defined Terms.***

- (a) Maturity means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (b) 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. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (c) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Certificates. The Sale Date of the Certificates is August 14, 2018.
- (d) Underwriter means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Initial Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate with respect to the Certificates and with respect to compliance with the federal income tax rules affecting the Certificates, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

[NAME OF INITIAL PURCHASER:]

By: _____

Name: _____

Title: _____

Dated: _____, 2018

* Preliminary, subject to change. See "THE CERTIFICATES - Adjustment of Principal Amounts and/or Types of Certificates" in the Notice of Sale and Bidding Instructions.

SCHEDULE A
EXPECTED OFFERING PRICES
(Attached)

SCHEDULE B
COPY OF UNDERWRITER'S BID
(Attached)