

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**

**\$11,180,000**

**HARRIS-MONTGOMERY COUNTIES MUNICIPAL UTILITY DISTRICT NO. 386**  
*(A political subdivision of the State of Texas located within Harris and Montgomery Counties)*

### **UNLIMITED TAX BONDS SERIES 2020**

**Bids Due: Thursday, February 27, 2020 at 11:00 A.M., Houston, Texas Time, in Houston, Texas**  
**Bid Award: Thursday, February 27, 2020 at 2:00 P.M., Houston, Texas Time, in The Woodlands, Texas**

#### **BOOK-ENTRY-ONLY**

#### **THE SALE**

Bonds Offered for Sale by Competitive Bidding: The Board of Directors (the "Board") of Harris-Montgomery Counties Municipal Utility District No. 386 (the "District"), is inviting competitive bids for the purchase of \$11,180,000 Unlimited Tax Bonds, Series 2020 (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 as described below in "Bids by Telephone."

Municipal Bond Rating and Insurance: The purchase of municipal bond insurance, if available, is at the option and expense of the Underwriter. Fees associated with the underlying rating of Moody's Investors Service will be paid by the District.

Place and Time of Bid Opening: A representative of the Board will open and publicly read bids for the purchase of the Bonds at the office of Masterson Advisors LLC, 3 Greenway Plaza, Suite 1100, Houston, Texas 77046, at 11:00 A.M., Houston, Texas Time, Thursday, February 27, 2020. Any bid received after 11:00 A.M., Houston, Texas Time will not be accepted by the Board and will be returned unopened.

Sealed Bids Delivered to the District: Sealed bids, plainly marked "Bid for Bonds," should be addressed to "President and Board of Directors, Harris-Montgomery Counties Municipal Utility District No. 386," 3 Greenway Plaza, Suite 1100, Houston, Texas 77046 and delivered prior to 11:00 A.M., Houston, Texas Time, on Thursday, February 27, 2020. 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 by 11:00 A.M., Houston, Texas Time. Bidders must submit a signed Official Bid Form to Julie Peak, Masterson Advisors LLC, 3 Greenway Plaza, Suite 1100, Houston, Texas 77046 by email or facsimile (julie.peak@mastersonadvisors.com/ (713) 814-0560, prior to 10:00 A.M., Houston, Texas Time, on Thursday, February 27, 2020. Subscription to i-Deal LLC'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.

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 provision 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 23<sup>rd</sup> Street, 5<sup>th</sup> 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 by e-mail or facsimile (julie.peak@mastersonadvisors.com/ (713) 814-0560 a signed original Official Bid Form to Ms. Julie Peak, Masterson Advisors LLC, 3 Greenway Plaza, Suite 1100, Houston, Texas 77046, prior to 10:00 A.M., Houston, Texas Time, Thursday, February 27, 2020. Bidders that have provided signed bid forms will be contacted by a representative of Masterson Advisors LLC between 10:30 A.M., Houston, Texas Time and 10:50 A.M. Houston, Texas Time, on the date of the sale. Questions about this procedure should be addressed to Ms. Peak at (713) 814-0560.

*Masterson Advisors LLC 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 Masterson Advisors LLC 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.*

**Award of the Bonds:** The Bonds will be sold in one block on an “all or none” basis. At a meeting of the Board to be held at the District’s offices within the boundaries of the District, at 8747 W. New Harmony Trail, Tomball, Texas 77375 at 2:00 P.M., Houston, Texas Time Thursday, February 27, 2020, the District will take action to award the Bonds or reject all bids after opening of bids and upon verification of the mathematical accuracy of all bids by the Masterson Advisors LLC, the District’s Financial Advisor. Upon awarding the Bonds to the winning bidder (the “Underwriter”), the Board will adopt an order authorizing the issuance of the Bonds (the “Bond Order”). Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Order, to which Bond Order 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. Interest on the Bonds accrues from March 1, 2020, and is payable on each September 1 and March 1, commencing September 1, 2020, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be initially registered in the name of and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Co., N.A., in Dallas, Texas. See the PRELIMINARY OFFICIAL STATEMENT for a more complete description of the Bonds. The Bonds will mature serially on September 1 in the years and amounts as follows

YEAR DUE	PRINCIPAL AMOUNT	YEAR DUE	PRINCIPAL AMOUNT	YEAR DUE	PRINCIPAL AMOUNT
2020	\$ 445,000	2029	\$ 450,000	2038	\$ 445,000
2021	450,000	2030	450,000	2039	445,000
2022	450,000	2031	450,000	2040	445,000
2023	450,000	2032	445,000	2041	445,000
2024	450,000	2033	445,000	2042	445,000
2025	450,000	2034	445,000	2043	445,000
2026	450,000	2035	445,000	2044	445,000
2027	450,000	2036	445,000		
2028	450,000	2037	445,000		

**Book-Entry-Only:** 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 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, initially The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the “Paying Agent/Registrar”), directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the Beneficial Owners of the Bonds as described in the Preliminary Official Statement. See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.

**Redemption Provisions:** The Bonds maturing on or after September 1, 2026 are subject to redemption prior to maturity, at the option of the District, as a whole or in part, on September 1, 2025, or on any date thereafter at a price of par plus accrued interest to the date fixed for redemption. If less than all of the Bonds are redeemed, the particular maturity or maturities and amounts to be redeemed shall be determined by the District. If fewer than all of the Bonds of the same maturity are redeemed, the particular Bonds to be redeemed shall be selected by DTC in accordance with its procedures.

**Mandatory Sinking Fund Redemption:** If the successful bidder designates principal amounts to be combined into one or more 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 above under the caption "THE BONDS – Description of the Bonds." Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par by lot or other customary method. The principal amount of term bonds to be mandatorily redeemed is subject to proportionate reduction by the amount of any prior optional redemption.

**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, without legal limitation as to rate or amount, levied upon all taxable property located within the District, as further described in the Preliminary Official Statement. The Bonds are obligations solely of the District, and are not obligations of Harris County, Montgomery County, The Woodlands Township, the City of Houston, 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 ninety-eight percent (98%) of the principal amount thereof plus accrued interest to the date of delivery will be considered and no bid of more than par 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%. No bid which results in a net effective interest rate as defined by Chapter 1204, Texas Government Code, as amended, in excess of 4.54% will be considered. Subject to the conditions below, no limitation will be imposed upon bidders as to the number of interest rates which may be used, each rate of interest for the period 2026 (base year) through 2044, cannot be less than the rate of interest specified for any earlier maturity during the period 2026 through 2044, and the highest interest rate bid may not exceed the lowest interest rate bid by more than two and one-half percent (2.50%) in rate. No bid that generates a cash premium greater than \$5,000 will be considered. 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.

**Provision of Texas Ethics Commission Form 1295 ("TEC Form 1295") by Bidders:** Pursuant to Texas Government Code §2252.908 (the "Interested Party Disclosure Act" or the "Act"), the District may not award the Bonds to a bidder that is privately held entity unless the bidder, and each privately held syndicate member listed on the Official Bid Form, have provided to the District (c/o Masterson Advisors LLC, 3 Greenway Plaza, Suite 1100, Houston, Texas 77046; Attn: Julie Peak, julie.peak@mastersonadvisors.com) a completed and signed TEC Form 1295 which has been assigned a certificate number by the Texas Ethics Commission (the "TEC"). Pursuant to the rules prescribed by the TEC, the TEC Form 1295 must be completed online through the TEC's website, assigned a certificate number, printed, signed, and provided to the District. The TEC Form 1295 may accompany the Official Bid Form or may be submitted separately but must be provided to the District prior to the time prescribed for the award of the Bonds. The TEC Form 1295 may be provided to the District via facsimile or electronically, however, the original signed TEC Form 1295 complete with certificate number must be physically delivered to the District (c/o Schwartz, Page & Harding L.L.P., Bond Counsel, 1300 Post Oak Boulevard, Suite 1400, Houston, Texas 77056) within two business days of the award. Following the award of the Bonds, the District will notify the TEC of the receipt of each completed TEC Form 1295. The District reserves the right to reject any bid that does not comply with the requirements prescribed herein or to waive any such requirements. For purposes of completing the TEC Form 1295, the entity's name is Harris-Montgomery Counties Municipal Utility District No. 386, and the **contract ID number is HM386-S2020-B.** Neither the District nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the TEC Form 1295. Consequently, 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 apparent winning bid.

Good Faith Deposit: Each bid must be accompanied by a bank cashier's check payable to the order of "Harris-Montgomery Counties Municipal Utility District No. 386" in the amount of \$223,600, 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 Underwriter 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 Underwriter. 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.

Compliance with laws prohibiting contracts with companies that boycott Israel and certain companies engaged in business with Iran, Sudan or foreign terrorist organizations: The District will not award the Bonds to a bidder unless the bidder verifies on behalf of itself and each syndicate member listed on the Official Bid Form that, to the extent the 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, solely for purposes of Chapter 2270 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, at the time of execution and delivery of this bid and through the end of the underwriting period as defined by United States Securities and Exchange Commission Rule 15c2-12, neither the bidder nor a syndicate member listed on the Official Bid Form, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same, boycotts or will boycott Israel. The terms "boycotts Israel" and "boycott Israel" as used in this paragraph have the meanings assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended. Additionally, the District will not award the Bonds to a bidder unless the bidder certifies that, to the extent the bid for the Bonds represents a governmental contract within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of Chapter 2252 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, at the time of execution and delivery of this bid, neither the bidder nor a syndicate member listed on the Official Bid Form, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same is a company listed by the Texas Comptroller of Public Accounts under Sections 2270.021 or 2252.153 of the Texas Government Code.

Compliance with the Texas Public Information Act: The District will not award the Bonds to a bidder unless the bidder agrees to maintain all records in accordance with the requirements of the Texas Public Information Act, including Subchapter J thereof relating to contracting information as defined therein, and the District's rules, regulations, policies, and retention schedules adopted thereunder with respect to any records to which said Act applies.

## **DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS**

Delivery: The Bonds will initially be delivered in printed or typewritten form as one Bond for each maturity ("Initial Bonds"). Delivery will be at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A. in Dallas, Texas (the "Paying Agent/Registrar") for re-delivery to DTC. 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 Underwriter 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 March 31, 2020, and it is understood and agreed that the Underwriter will accept delivery of and make payment for the Bonds by 10:00 A.M., Houston, Texas Time on March 31, 2020, or thereafter on the date the Bonds are tendered for delivery, up to and including May 1, 2020. If for any reason the District is unable to make delivery on or before May 1, 2020, then the District shall immediately contact the Underwriter and offer to allow the Underwriter to extend its offer for an additional thirty (30) days. If the Underwriter does not elect to extend its offer within three (3) business days' thereafter, then its Good Faith Deposit will be returned, and both the District and the Underwriter shall be relieved of any further obligation.

DTC Definitive Bonds: After delivery, the Bonds will be issued in book-entry-only form. Cede & Co. is the nominee for DTC. All references herein to the Registered Owners of the Bonds shall mean Cede & Co. and not the Beneficial Owners of the Bonds. Purchase of beneficial interests in the Bonds will be made in book-entry-only form (without registered Bonds) in the denomination of \$5,000 principal amount or any integral multiple thereof. Under certain limited circumstances described herein, the 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 initial Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Bonds in accordance with the terms of this OFFICIAL NOTICE OF SALE.

CUSIP identification numbers will be made available to the Underwriter at the time the Bonds are awarded or as soon thereafter as practicable. The CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid by the Underwriter.

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 Underwriter's receipt of the Initial Bonds, the Underwriter's receipt of the legal opinion of Bond Counsel and the no-litigation certificate, all as described below, and no material adverse change in the condition of the District.

Legal Opinions: The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General 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 Schwartz, Page & Harding, L.L.P., Bond Counsel, Houston, Texas, 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 Registered Owners of the Bonds may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the 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 without legal limitation as to rate or amount, upon all taxable property within the District, 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.

Not Qualified Tax-Exempt Obligations: Section 265 of the Internal Revenue Code of 1986, as amended (the "Code"), provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of the Bonds. For certain owners that are "financial institutions" within the meaning of such section, complete disallowance of such expense would apply to taxable years beginning after December 31, 1986, with respect to tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this rule for interest expense incurred by financial institutions to carry tax-exempt obligations (other than specified private activity bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may only designate an issue as an issue of "qualified tax-exempt obligations" where less than \$10 million of tax-exempt obligations are issued by the issuer during the calendar year in which the issue so designated is issued. The District has not designated the Bonds as "qualified tax-exempt obligations" as it reasonably anticipates that it will issue more than \$10,000,000 in tax-exempt obligations in 2020.

Establishing the Issue Price of the Bonds: In order to provide the District with information that enables it to comply with certain conditions of the Code, relating to the exclusion of interest on the Bonds from the gross income of their owners, the winning bidder will be required to complete, execute, and deliver to the District or to the District's municipal advisor, Masterson Advisors LLC (the "Financial Advisor"), at least five (5) business days prior to the date of delivery of the Bonds, a certification as to the "issue price" of the Bonds (the "Issue Price Certificate"), substantially in the form attached hereto or accompanying this Notice of Sale. In the event the winning bidder will not reoffer any maturity of the Bonds for sale to the Public (as defined herein) by the delivery date of the Bonds, the Issue Price Certificate may be modified in a manner approved by the District and Bond Counsel. Each bidder, by submitting its bid, agrees to complete, execute, and timely deliver the Issue Price Certificate, if its bid is accepted by the District. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

For purposes of this section of this Notice of Sale:

- (i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party;
- (ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds 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 Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public);

- (iii) “Related Party” means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (A) at least 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), (B) 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 (C) 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
- (iv) “Sale Date” means the date that the Bonds are awarded by the District to the winning bidder.

All actions to be taken by the District under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the District by the Financial Advisor, and any notice or report to be provided to the District may be provided to the Financial Advisor.

The District will consider any bid submitted pursuant to this Notice of Sale to be a firm offer for the purchase of the Bonds, as specified in the bid and, if so stated, in the Official Bid Form.

The District intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of municipal bonds), which require, among other things, that the District receives bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the “Competitive Sale Requirement”).

In the event that the Competitive Sale Requirement is satisfied, the sale of the Bonds will be awarded to the bidder making a bid that conforms to the specifications herein. In the event that the Competitive Sale Requirement is not satisfied, bids **will not be subject to cancellation and the winning bidder will be required to hold the initial offering price to the Public of each maturity of the Bonds, other than a maturity 10% of which has been sold to the Public on the Sale Date (“Hold-the-Price Bonds”), as described in the next paragraph.**

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell any maturity of the Hold-the-Price Bonds 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:

- (i) the close of the fifth (5th) business day after the Sale Date; or
- (ii) the date on which the Underwriters have sold at least 10% of that maturity of the Bonds 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 District when the Underwriters have sold 10% of a maturity of the Hold-the-Price Bonds to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

No Material Adverse Change: The obligation of the Underwriter to take up and pay for the Initial Bonds, and of the District to deliver the Initial Bonds, is subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of sale.

No-Litigation Certificate: On the date of delivery of the Bonds to the Underwriter, the District will execute and deliver to the Underwriter, 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.

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

## OFFICIAL STATEMENT

To assist the Underwriter in complying with Rule 15c2-12 of the United States Securities and Exchange Commission (“SEC”), the District and the Underwriter 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 Underwriter and other similar information, terms and provisions to be specified in the competitive bidding process. The Underwriter shall be responsible for promptly informing the District of the initial offering yields of the Bonds. Thereafter, the District will complete and authorize distribution of the Official Statement identifying the Underwriter 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 Underwriter 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—Certification 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 Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, as described above under “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS—Conditions to Delivery,” the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter 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 Underwriter (and to each participating underwriter of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Underwriter) within seven (7) business days after the sale date. The District also shall furnish to the Underwriter 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 Underwriter 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 Underwriter 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 Order 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 “Continuing Disclosure of Information.” The Underwriter’s obligation to accept and pay for the Bonds is conditioned upon delivery to the Underwriter or its agent of a certified copy of the Bond Order containing the agreement described under such heading.

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. The District has complied in all material respects with all continuing disclosure agreements made by the District in accordance with SEC Rule 15c2-12(b)(5)(i).

## GENERAL CONSIDERATIONS

Investment Considerations: The Bonds involve certain risk factors. Prospective bidders are urged to examine carefully the entire Preliminary Official Statement, with respect to the risk factors 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: Application was made to Moody’s Investors Service (“Moody’s”), for a municipal bond rating, and Moody’s has assigned an underlying rating of “Aa3” to the District. Application has also been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the Underwriter and at the Underwriter’s expense. The rating fees of Moody’s will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Underwriter. A downgrade of the insurer by any rating agency subsequent to submitting a bid with municipal bond insurance and before the closing of the transaction is not a material adverse change nor is it a basis for the Underwriter to terminate its obligations to pay for the Bonds at closing. See “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS—Conditions to Delivery and –No Material Adverse Change” herein. It should be noted that the state of the municipal bond insurance industry is under stress, which could result in downgrades of certain municipal bond insurers. Accordingly, investors should evaluate the underlying credit quality of the District.

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 Underwriter 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 Underwriter 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 Underwriter, at the Underwriter’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 Internal Revenue Code of 1986, 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 Beneficial Owner’s 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/Registrar in the State of Texas for the purpose of maintaining the 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, Masterson Advisors LLC, 3 Greenway Plaza, Suite 1100, Houston, Texas 77046.

Mr. F. Emil Jacobs  
President, Board of Directors  
Harris-Montgomery Counties Municipal Utility District No. 386



## OFFICIAL BID FORM

President and Board of Directors  
Harris-Montgomery Counties Municipal Utility District No. 386  
c/o Masterson Advisors LLC  
3 Greenway Plaza, Suite 1100  
Houston, Texas 77046

Board Members:

We have read in detail the OFFICIAL NOTICE OF SALE and PRELIMINARY OFFICIAL STATEMENT dated January 23, 2020, relating to the \$11,180,000 Harris-Montgomery Counties Municipal Utility District No. 386 (the "District"), Unlimited Tax Bonds, Series 2020 (the "Bonds"). We realize that the Bonds involve certain risk factors, 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," are 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, 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:

Maturity	Principal Amount	Interest Rate	Maturity	Principal Amount	Interest Rate
2020	\$ 445,000	_____ %	2032	\$ 445,000 *	_____ %
2021	450,000	_____ %	2033	445,000 *	_____ %
2022	450,000	_____ %	2034	445,000 *	_____ %
2023	450,000	_____ %	2035	445,000 *	_____ %
2024	450,000	_____ %	2036	445,000 *	_____ %
2025	450,000	_____ %	2037	445,000 *	_____ %
2026	450,000 *	_____ %	2038	445,000 *	_____ %
2027	450,000 *	_____ %	2039	445,000 *	_____ %
2028	450,000 *	_____ %	2040	445,000 *	_____ %
2029	450,000 *	_____ %	2041	445,000 *	_____ %
2030	450,000 *	_____ %	2042	445,000 *	_____ %
2031	450,000 *	_____ %	2043	445,000 *	_____ %
			2044	445,000 *	_____ %

\* Subject to optional redemption on or after September 1, 2025.

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:

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

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

Gross Interest Cost from March 1, 2020.....	\$ _____
Plus Dollar Amount of Discount .....	\$ _____
NET INTEREST COST .....	\$ _____
NET EFFECTIVE INTEREST RATE .....	_____ %

The initial Bonds shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York.

A Bank Cashier's Check payable to your order in the amount of \$223,600 is attached hereto or has been made available to you prior to the opening of this bid, as a Good Faith Deposit, and is submitted in accordance with the OFFICIAL NOTICE OF SALE.

The District may not accept this bid until it has received from the bidder, if that bidder is a privately held entity, a completed, and signed TEC Form 1295 complete with a certificate number assigned by the Texas Ethics Commission ("TEC"), pursuant to Texas Government Code § 2252.908 and the rules promulgated thereunder by the TEC. The undersigned understands that failure to provide said form complete with a certificate number assigned by the TEC as provided for in the OFFICIAL NOTICE OF SALE will result in a non-conforming bid and will prohibit the District from considering this bid for acceptance.

The undersigned agrees to complete, execute, and deliver to the District, by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form accompanying the OFFICIAL NOTICE OF SALE, with such changes thereto as may be acceptable to the District.

We agree to accept delivery of and make payment for the Bonds in immediately available funds at the offices of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, not later than 10:00 A.M., Houston, Texas Time, on March 31, 2020, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the "OFFICIAL NOTICE OF SALE." In addition, in the event less than all of the Bonds are sold to ultimate customers prior to the date of delivery of the Bonds, we will so notify the District on such date.

By executing this Bid Form, the bidder represents and verifies that, to the extent this 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, solely for purposes of Chapter 2270 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, at the time of execution and delivery of this bid and through the end of the underwriting period as defined by United States Securities and Exchange Commission Rule 15c2-12, neither the bidder nor a syndicate member listed on the Official Bid Form, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same, boycotts or will boycott Israel. The terms "boycotts Israel" and "boycott Israel" as used in this paragraph have the meanings assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended.

Additionally, by executing this Bid Form, the bidder also represents and certifies that, to the extent this bid for the Bonds represents a governmental contract within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of Chapter 2252 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, at the time of execution and delivery of this bid, neither the bidder nor a syndicate member listed on the Official Bid Form, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the same is a company listed by the Texas Comptroller of Public Accounts under Sections 2270.021 or 2252.153 of the Texas Government Code.

Further, by executing this OFFICIAL BID FORM, the bidder also agrees that it will maintain all records in accordance with the requirements of the Texas Public Information Act, including Subchapter J thereof relating to contracting information as defined therein, and the District's rules, regulations, policies, and retention schedules adopted thereunder with respect to any records to which said Act applies.

Respectfully submitted,

By: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Harris-Montgomery Counties Municipal Utility District No. 386 this 27th day of February 2020.

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors

\_\_\_\_\_  
President, Board of Directors

Due: September 1, Annually  
Dated: March 1, 2020

### BOND YEARS

<u>Year</u>	<u>Principal</u>	<u>Bond Years</u>	<u>Cumulative Bond Years</u>
2020	\$ 450,000	225.000	225.000
2021	450,000	675.000	900.000
2022	450,000	1,125.000	2,025.000
2023	450,000	1,575.000	3,600.000
2024	450,000	2,025.000	5,625.000
2025	450,000	2,475.000	8,100.000
2026	450,000	2,925.000	11,025.000
2027	450,000	3,375.000	14,400.000
2028	450,000	3,825.000	18,225.000
2029	450,000	4,275.000	22,500.000
2030	450,000	4,725.000	27,225.000
2031	445,000	5,117.500	32,342.500
2032	445,000	5,562.500	37,905.000
2033	445,000	6,007.500	43,912.500
2034	445,000	6,452.500	50,365.000
2035	445,000	6,897.500	57,262.500
2036	445,000	7,342.500	64,605.000
2037	445,000	7,787.500	72,392.500
2038	445,000	8,232.500	80,625.000
2039	445,000	8,677.500	89,302.500
2040	445,000	9,122.500	98,425.000
2041	445,000	9,567.500	107,992.500
2042	445,000	10,012.500	118,005.000
2043	445,000	10,457.500	128,462.500
2042	445,000	10,012.500	138,475.000
Total	\$ 11,180,000		
Average Maturity:	12.386	Years	

## ISSUE PRICE CERTIFICATE

The undersigned hereby certifies as follows with respect to the sale of \$11,180,000 Harris-Montgomery Counties Municipal Utility District No. 386 (the "District") Unlimited Tax Bonds, Series 2020 (the "Bonds"):

***[If at least 3 qualified bids are received from underwriters]***

1. On the first day on which there was a binding contract in writing for the purchase of the Bonds by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Bonds with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Issue Price Certificate as Schedule A. The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds.

2. The Purchaser had an equal opportunity to bid to purchase the Bonds and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

3. The bid submitted by the Purchaser constituted a firm bid to purchase the Bonds.

***[If less than 3 qualified bids are received from underwriters]***

1. [Other than the Bonds maturing in \_\_\_\_ ("Hold-the-Price Maturities"), the][The first price at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Bonds having the same credit and payment terms ("Maturity") was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are the initial offering prices (the "Initial Offering Prices"), as listed in the pricing wire or equivalent communication for the Bonds that is attached to this Issue Price Certificate as Schedule A.]

***[Include the following paragraphs 2 and 3 if there are Hold-the-Price Maturities]***

2. On or before the first day on which there is a binding contract in writing for the sale of the Bonds ("Sale Date"), the Purchaser offered to the Public each [maturity of the Bonds having the same credit and payment terms ("Maturity")][Maturity of the Hold-the-Price Maturities] at the [Initial Offering Prices for such Maturity][initial offering prices for such Maturity ("Initial Offering Prices")], as set forth in Schedule A hereto. [A copy of the pricing wire or equivalent communication for the Bonds is attached to this Issue Price Certificate as Schedule A.]

3. As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for such Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells [at least ten percent ("Substantial Amount")][a Substantial Amount] of a Maturity of the Bonds to the Public at no higher price than the Initial Offering Price for such Maturity.]

***[Include the remaining paragraphs regardless of number of bids; revise numbering of paragraphs as appropriate]***

4. As used hereinabove, the term "Underwriter" means (i) (A) a person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i)(A) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (ii) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (i) of this paragraph.

5. Please choose the appropriate statement:

☐ Purchaser will not purchase bond insurance for the Bonds.

☐ Purchaser will purchase bond insurance from \_\_\_\_\_ (the "Insurer") for a fee/premium of \$\_\_\_\_\_ (the "Fee"). To the best of the undersigned's knowledge, information and belief, based upon the facts available at this time and current market conditions, the Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Bonds and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. [Purchaser represents that the present value of the Fee for each obligation constituting the Bonds to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Bonds. In determining present value for this purpose, the yield of the Bonds (determined with regard to the payment of the guarantee fee) has been used as the discount rate.] The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. No portion of the Fee is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such Fee that has not been earned.

6. The undersigned has calculated the total underwriting spread on the Bonds to be \$ \_\_\_\_\_. As used herein, the term "total underwriting spread" means the cost for marketing and selling the Bonds, and includes (a) a total takedown of \$ \_\_\_\_\_, (b) a total management fee of \$ \_\_\_\_\_, (c) fees and expenses of underwriter's counsel in the estimated total amount of \$ \_\_\_\_\_, and (d) other expenses in the total estimated amount of \$ \_\_\_\_\_.

The undersigned understands that the foregoing information will be relied upon by District with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Schwartz, Page & Harding, L.L.P. in connection with rendering its opinion that the interest on the Bonds 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 District from time to time relating to the Bonds. The undersigned understands that the foregoing information will also be relied upon by District and by Schwartz, Page & Harding, L.L.P. with respect to compliance with the requirements of Section 1202.008 of Chapter 1202, Texas Government Code, as amended. Notwithstanding anything set forth herein, the Purchaser is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

EXECUTED and DELIVERED this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

\_\_\_\_\_  
Name of Underwriter

By: \_\_\_\_\_

Title: \_\_\_\_\_